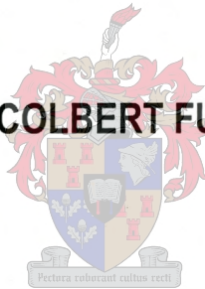


# **THE TWO PRESIDENCIES IN THE NEW SOUTH AFRICA: IMPLICATIONS FOR CONSOLIDATION OF DEMOCRACY**

BY

**MZOLISI COLBERT FUKULA**



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**Supervisor: Professor W.J Breytenbach**

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## DECLARATION

I, the undersigned hereby declare that the work contained in this assignment is my original work and has not previously in its entirety or in part been submitted at any university for a degree.

## ABSTRACT

Following FW De Klerk's decision on the 2<sup>nd</sup> of February 1990 to unbanned black liberation movements, release of Mandela from prison and the lifting of the state of emergency, a process of irreversible change was set in motion in South Africa. This process of change was captured in the four-year dramatic series of negotiations sometimes referred to as 'talks about talks' and the real negotiations at Kempton Park, which ensued immediately after De Klerk's ground-breaking speech in 1990. The negotiations ultimately resulted in the ~~in the~~ interim constitution of 1993 which served as the basis for the 1994 elections.

The election in turn ushered South Africa into a new epoch of an electoral democracy characterised by most of the ingredients of a normal democracy. The new born "electoral democracy" met the seven conditional institutions/ principles for a polyarchy as prescribed by Robert Dahl, namely universal suffrage; free and fair elections; right to run public office; freedom of expression; right to access information; freedom to form organizations of great variety and responsiveness of the government to voters and election outcomes. But the key question relates to its consolidation – is it consolidating?

Responding to this question is the gist of this not-so comprehensive comparative thesis, whose particular focus is the presidency in the new South Africa – both of Mandela and Mbeki. This is done through the help of the both institutional as well as socio-economic approaches to democracy. That is, 'without appropriate state institutions, democracy is not possible' (Linz and Stepan.1996.p14) and without favourable socio-economic conditions, democratic institutions are unlikely to endure and consolidate.

The institutional analysis puts under spotlight the presidency and decision-making trends, specifically the National Economic Development and Labour Council (Nedlac) for the Mandela's presidential era and the Policy Co-ordination Advisory Services (PCAS) Unit for the Mbeki's. On socio-economics it looks at how Mandela and Mbeki dealt with the inequality problem issue. This study will not deal with issues such as ethnic heterogeneity or class issues

in relation to consolidation of democracy, except insofar as they illustrate something about policies on inequalities. It eventually assesses the implications for the consolidation of democracy in the new South Africa by contrasting Mandela and Mbeki's approaches to the economy i.e. Mandela's RDP and Nedlac and Mbeki's GEAR and International Investment Council.



## OPSOMMING

'n Proses van onomkeerbare verandering in Suid-Afrika is in werking gestel met FW de Klerk se besluit op 2 Februarie 1990 om die bevrydingsbewegings te ontban, Mandela en ander politieke gevangenis vry te laat en die noodtoestand op te hef. Dié proses van verandering het op 'n vier jaarlange onderhandelingsproses uitgeloop wat aanvanklik getipeer was as "gesprekke oor gesprekke" en daarna die ware onderhandelings wat by Kemptonpark plaasgevind het. Hierdie onderhandelings het gelei tot die formulering van die interim grondwet van 1993 wat die basis gevorm het vir die eerste inklusiewe verkiesing in Suid-Afrika in 1994.

Hierdie verkiesing het Suid-Afrika op die pad van 'n elektorale demokrasie geplaas wat die vereiste vir alle normale demokrasieë is. Hierdie elektorale stelsel in Suid-Afrika voldoen aan al Robert Dahl se sewe vereistes vir 'n poliargie, te wete algemene stemreg, vrye en regverdige verkiesings, die reg om aan openbare instellings deel te neem, die vryheid van spraak, die reg tot inligting, die vryheid om organisasies te vorm wat betrekking het op die verkiesingsproses. Al hierdie vereistes is noodsaaklik, maar nie noodwendig voldoende om 'n demokrasie te konsolideer nie. Die vraag is dus of Suid-Afrika konsolideer.

Om hierdie vraag te beantwoord vereis 'n omvattende ondersoek. Hierdie tesis is egter meer beskeie en sal slegs konsentreer op die rol van die presidentskap in Suid-Afrika – Mandela en Mbeki, en te bepaal of die style wat hulle gevolg het en die beleide wat hulle toegepas het konsolidasie in die hand werk of nie. Daar sal gekyk word na die institusionele aspekte van die presidentskap se besluitnemingstrukture asook na enkele sosio-ekonomiese aspekte wat relevant vir demokratisering is. Die aanname in hierdie tesis was "without appropriate state institutions, democracy is not possible" (Linz & Stepan. 1996), maar sonder gunstige ekonomiese toestande (Przeworski en andere 1996), is die kans dat 'n demokrasie volhoubaar is gering.

Die instellings wat beskryf en ontleed word wat op die president se besluitnemingstyle dui is die National Economic Development and Labour Council (Nedlac) wat Mandela betref en die Policy Co-ordination Advisory Services (PCAS) wat Mbeki betref. Die sosio-ekonomiese aspekte wat ondersoek is handel in beide gevalle met hoe hierdie presidente die ongelykheids-problematiek in Suid-Afrika aangespreek het wat ook op nasiebou betrekking het. Hierdie studie sluit kwessies soos etniese heterogeniteit en die klasedebat uit, behalwe in soverre dit betrekking het op besluitneming en die hantering van ongelykheid. Die implikasies vir konsolidasie word uitgespel.

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## LIST OF SELECTED ACRONYMS

<b>ACDP</b>	African Christian Democratic Party
<b>ANC</b>	African National Congress
<b>BCM</b>	Black Consciousness Movement
<b>CDE</b>	Centre for Development Enterprise
<b>CIU</b>	Coordination Implementation Unit
<b>CODESA</b>	Convention for Democratic South Africa
<b>COSATU</b>	Congress of South African Trade Unions
<b>DA</b>	Democratic Alliance
<b>DP</b>	Democratic Party
<b>FEDUSA</b>	Federation of Unions of South Africa
<b>FF/VF</b>	Freedom Front
<b>GDP</b>	Gross Domestic Products
<b>GEAR</b>	Growth, Employment and Redistribution Strategy
<b>GNU</b>	Government of National Unity
<b>IFP</b>	Inkatha Freedom Party
<b>IIC</b>	International Investment Council
<b>NACTU</b>	National Council of Trade Unions
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NP/NNP</b>	National Party/New National Party
<b>NRDF</b>	National Rural Development Forum
<b>NYC</b>	National Youth Commission
<b>NWC</b>	National Women's Coalition
<b>PAC</b>	Pan Africanist Congress
<b>PCAS</b>	Policy Coordination Advisory Services Unit

<b>RDP</b>	Reconstruction and Development Programme
<b>SACOB</b>	South African Chamber of Business
<b>SACP</b>	South African Communist Party
<b>SANCO</b>	South African National Civics Forum



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## Chapter One: Introduction

### 1.1 Problem statement

South Africa in the 1990's underwent and witnessed unprecedented transformation and transition from a racial oligarchy to a constitutional state. Its constitution is dubbed one of the most advanced instruments of a liberal democracy in the world. This was subsequent to F.W de Klerk's decision on 2 February 1990 to open the way for democratic settlement with the unbanning of the black liberation movements, the release of Nelson Mandela after 27 years' imprisonment and the lifting of the state of emergency (Kotze, 1996:04). De Klerk's decision paved the way for a negotiations drama that lasted four years and culminated in the demise of the last legally sanctioned, racially segregated society in the world (Habib, 1998:95).

The negotiating phase of the transition to liberal democracy in South Africa was characterized by three stages. First, there was a period of discussion on the form, which the negotiations should take. Second, there followed the all-party Convention for Democratic South Africa (CODESA) in 1991 and 1992. Third, the Multi-party Negotiating Forum eventually agreed upon the interim constitution and Bills on which the 1994 elections were based (Kilob, 1997:313).

The interim constitution was a typical majoritarian constitution with temporary grand coalition or power-sharing between the major parties (African National Congress, National Party and Inkatha Freedom Party), leading to the Government of National Unity. It also provided for holding of multi-party elections on a proportional basis (Breytenbach, 1997:87). It thus reflected an inclusive compromise whereby South Africa would be governed by Government of National Unity for the first five years, starting from after the 1994 general elections (Kotze, 1996:04).

Based on the interim Constitution of 1993, the 1994 general elections were held. The elections ushered South Africa into an era of a formal 'electoral democracy' characterized by a large scale transformation from a racially exclusive apartheid regime to a democratic and inclusive system based on constitutionalism, power-sharing in the executive, the rule of law, the protection of individual and civil liberties, institutions of accountability and the construction of a new state with both a transformative and developmental agenda (Muthien, 1999:01). I use the term 'electoral democracy' in line with Andreas Schedler's definition.



According to Schedler (1998:92-93) the term 'electoral democracy' refers to those democracies that he calls 'borderline cases' that possess some but not all of liberal democracy's essential features, and therefore fall somewhere in between democracy and authoritarianism. These are countries that manage to hold more or less inclusive, clean and competitive elections but fail to uphold all or some of the political and civil freedoms essential for liberal democracy, as will be explained hereunder.

The new South Africa's 'electoral democracy' conformed to the seven conditional institutions/principles for a polyarchy as prescribed by Robert Dahl, namely universal suffrage; free and fair elections; right to run public office; freedom of expression; right to access information; freedom to form organizations of great variety and responsiveness of the government to voters and election outcomes (Dahl, 1986:230). According to what Southall refers to as 'conventional analysis' South Africa could therefore be considered to be some considerable way to the consolidation of its democracy (Southall, 2000:147).

But Schedler (1998) refers to negative and positive consolidation and deepening or the erosion of institutions. According to Schedler (1998:100) 'negative' consolidation tries to prevent regression toward horizons of avoidance. Whereas 'positive' consolidation, on the other hand, tries to achieve democratic progress toward valued horizons of attainment. Then the question becomes – is South Africa consolidating negatively or positively as explained by Schedler?

This comparative study on the South African presidency will assess precisely that looking at the presidency in South Africa from 1994, with special reference to Mbeki. The major aim of this study is assess whether South Africa's 'electoral' democracy consolidates negatively or positively. For this, this study will employ both institutional as well as socio-economic approaches to democracy. That is, 'without appropriate state institutions, democracy is not possible' (Linz and Stepan, 1996:14) and without favourable socio-economic conditions, democratic institutions are unlikely to endure and consolidate (Przeworski et al, 1996:40-41).

This comparative study will, however, not make a full institutional analysis of South African democracy. It will focus only on the presidency. It looks at both Mandela and Mbeki. The major aim of this study is assess whether South Africa's 'electoral' democracy consolidates negatively or positively. On institutions, this study will look at the presidency and decision-making trends, namely the Government of National Unity (GNU) as well as the National Economic



Development and Labour Council (Nedlac) for the Mandela's presidential era; and the Policy Co-ordination Advisory Services (PCAS) Unit and the International Investment Council (IIC) for the Mbeki's, while on socio-economics it will only use inequality reduction, that is how Mandela and Mbeki treated this policy issue. This study will not deal with issues such as ethnic heterogeneity or class issues in relation to consolidation of democracy, except insofar as they illustrate something about policies on inequalities.

The implications for the consolidation of democracy will be assessed. But this study also takes into account the notions that democracy is not about institutions and governance alone, but also that development matters, specifically affluence and inequality reduction. For this purpose, the Mandela and Mbeki approaches to the economy will also be contrasted: Mandela's RDP and Nedlac and Mbeki's GEAR and International Investment Council and stronger emphasis in the co-ordination of policies, executed by an expanded Office of the President. How these styles and policies may impact on inequality reduction will be assessed. That may have significant implications for the consolidation of democracy in South Africa.

Finally, contingent to the assessment of the state of democracy in South Africa is the issue of style of governance adopted from Heywood (1997). He refers to pluralism, corporatism and elitism. At this point in time it may be pointed out that Nelson Mandela's style was typically corporatist – GNU and Nedlac, whereas Mbeki's style is different – more managerial, even more executive, with a tendency for centralisation and thus more elitist.

## **1.2 The purpose and significance of the study**

The main purpose of this study is to investigate and scrutinize South Africa's 'electoral democracy' starting from Mandela's presidential era until the incumbent Mbeki's. First, to check if it is consolidating or not. If it is indeed consolidating, to assess whether it is doing so 'negatively' or 'positively' as explained by Schedler.

It is also to compare Mandela and Mbeki's presidencies with special focus being on Mbeki as the incumbent president. To assess the two presidencies' approaches with regard to presidency as an institution and their respective decision-making trends together with their policies towards race, inequality reduction and the economy and the implications of their respective approaches and policies for consolidation of democracy in South Africa.



Part of the purpose of this study is also to assess what the interim constitution of 1993 and the final constitution of 1996 provide or have to say when it comes to the presidency as an executive institution in South Africa.

The significance of this study is that upon its completion, I believe, it will, in a limited way, shed some light not only on the past and current presidential approaches to nation-building, inequality reduction and styles of decision-making but also on the whereabouts of South Africa as a young democracy in terms of consolidation. It will certainly serve as a valuable contribution to the existing body of literature regarding the presidency in South Africa.

### **1.3 The research method**

I intend to use a qualitative approach, focussing and analysing data already published on the presidency as well as relevant reports on the presidency. I also attended portfolio committee debates in parliaments on the President's office. The locus of my study is certainly be confined more to Mbeki's office, although with some reference to Mandela's.

The time-frame will generally be from the accession into power of the newly and democratically elected African National Congress government on the 27<sup>th</sup> of April in 1994 until the year 2001.

### **1.4 Concepts**

#### **1.4.1 Pluralism**

Politically, it is a theory of the distribution of political power. It holds that power is widely and evenly dispersed in society rather than concentrated in the hands of an elite or a ruling class. It contributes to the principle of minority rights and since it abhors the notion of tyranny of the majority. The state, in a plural system plays a reasonably neutral role, holding the ring for the contending groups. Pluralism introduces the principle of proportional representation enabling the losers to play a role in the governing of the country (Heywood, 1997:76).

#### **1.4.2 Corporatism**

According to Heywood (1997:78-79) corporatism is a 'tripartite government' in which government is conducted through organizations, which allow state officials, employers' groups and labour unions to deal directly with one another. It is based on the recognition on the part of some governments in different countries, of a need for institutional arrangements designed to secure the cooperation and support of major economic interests as they tried to manage



economic life and deliver a broad range of public services. The origins of corporatism are traced by Heywood back in the attempts in Fascist Italy to build some kind of a corporate state by involving managers and workers into processes of government. Herbert Adam (1999:267) adds that corporatism relies on consensus rather than triumph of the stronger party. Corporatism is, however, criticized for only benefitting groups that are given privileged access to government as opposed to those outside government. It is also criticized for its apparent threat to electoral democracy as none of the interest group leaders is publicly accountable and their influence is not subject to public scrutiny (Heywood, 1997:79).

#### 1.4.3 Elitism

Generally, it is a belief in, or practice of rule by an elite or minority. Empirically, it refers to a minority in whose hands power, wealth or privilege is concentrated. Normative elitism suggests that elite rule is desirable, and that political power should be vested in the hands of a wise or enlightened minority. Elitism is said to have developed as a critique of egalitarian ideas such as democracy and socialism (Heywood, 1997:78).

#### 1.4.4 Democracy

Democracy as a concept is heavily contested. There seems to be no consensus on its exact definition. Lloyd Sachikonye (1995:01) believes that democracy means different things or processes to different social interests. Larry Diamond (1996:21) also complains that instead of conceptual clarity about the term democracy, there is 'conceptual confusion and disarray'. This conceptual confusion and disarray, according to Diamond is clearly confirmed by the 550 subtypes of democracy that have been identified by David Collier and Steven Levitsky. Crick (1998:255) nicely summarizes the sentiment in his quote of a democracy "*Democracy is both a sacred and a promiscuous word: we all love her but she is hard to pin down; everyone claims her but no one actually possesses her fully*".

According to Crick (1998:255), however, the word democracy in the Greek is explained - '*demos*' – means the mob or the many and '*cracy*' means rule. Huntington (1999:07) traces the origin of democracy as a form of government back to the Greek philosophers. Joseph Schumpeter (1947:04) using the minimalist definition of democracy defines the latter as a system for "arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote".



Huntington follows Schumpeterian tradition of treating elections as the essence of democracy. He defines political system as democratic 'to the extent that its most powerful collective decision makers are selected through fair, honest, and periodic elections in which candidates freely compete for votes and in which virtually all adult population is eligible to vote'. For Huntington democracy also implies the existence of the civil and liberties to speak, publish, assemble, and organize, that he considers necessary to political debate and the conduct of the electoral campaigns. His definition of democracy draws fundamentally on Dahl's two critical dimensions to what he calls a 'polyarchy', namely contestation (that is regular elections) and participation (that inclusive suffrage and full participation in public life by all adult citizens within the political system (Huntington, 1991:07).

Dahl is considered by some scholars as the doyen of the 'institutionalist school of thought'. The 'institutionalist school of thought' associates democracies with a number of features linked to the institutionalization of civil and political liberties, including regular elections and political parties. Dahl (1971) in his seminal work *Polyarchy: Participation and opposition* highlights two essential ingredients for a political system to be regarded a democracy as argued above.

In his latest book *Democracy, Liberty and Equality*, Dahl (1986:230) prescribes seven conditional institutions to a 'polyarchy' namely universal suffrage; free and fair elections; right to run public office; freedom of expression; right to access information; freedom to form organizations of great variety and responsiveness of the government to voters and election outcomes. Linz and Stepan (1996:15) are of the opinion that 'no regime should be called a democracy unless its rulers govern democratically. In other words, they argue that if 'freely elected executives infringe the constitution, violate the rights of individuals and minorities, impinge upon the legitimate functions of the legislature, and thus fail to rule within the bounds of the state of law such a regime is not a democracy'. They also believe that when there is 'no state, no democracy exists. They believe that "*free and authoritative elections cannot be held, winners cannot effectively have their rights protected by a rule of law unless a state exists*" (Linz and Stepan, 1996:15).

In the contemporary discourse, however, according to Sachikonye (1995:01) the concept democracy in its 'minimalist definition' is associated with "*a political system in which multi-partyism exists, periodic free and fair elections based on universal suffrage are conducted and press freedom, human rights and the rule of the law guaranteed. Governments are required to*



*uphold and abide by the constitution, checks and balances in the exercise of power exist, and the independence of the judiciary and the key role of parliament in the legislative process”.*

#### **1.4.5 Electoral democracy**

According to Schedler (1998:92-93) the term 'electoral democracy' refers to those democracies that he calls 'borderline cases' that possess some but not all of liberal democracy's essential features, and therefore fall somewhere in between democracy and authoritarianism. These are countries that manage to hold more or less inclusive, clean and competitive elections but fail to uphold the political and civil freedoms essential for liberal democracy. For Schedler an 'electoral democracy' is a subtype of democracy which still faces a 'symmetrical challenge of democratic completion, the attainment of full democratic rule'. Electoral democracies could erode into authoritarian systems if civil and political liberties are undermined; and deepen into liberal democracy when those rights and liberties strengthen. The actions of presidents and state executives are assumed to be crucial in this respect.

#### **1.4.6 Consolidation of Democracy**

Democratic consolidation comes about as a result of a number of institutional, policy and behavioral changes. A number of these effect improvement to governance directly by reinforcing state capacity, liberalizing and rationalizing economic structures, securing social and political order while maintaining basic freedoms, improving 'horizontal accountability' and the rule of law and controlling corruption in particular. In this usage, consolidation is akin to Schedlers' "positive" trends in democratisation.

Others stresses improvement to the representative functions of democratic governance by strengthening political parties and their linkages to social groups, alleviating fragmentation in the party system, increasing the autonomous capacity in the public accountability of legislatures and local governments and strengthening civil society (Diamond, 1997).

However, Schedler (1998:102) is of the view that at this point people are using the concept in any way they like. As a consequent thereof it has lost its meaning. He claims that the term has been veiled by a 'conceptual fog' that, instead of clearing, it has rather become more 'thicker and thicker'. He refers to the term as having 'irritating multiplicity of meanings'.



Despite the conceptual confusion, so to speak, Schedler (1998:91), believes that, originally, the term 'democratic consolidation' was meant to describe the challenge of making new democracies secure, of extending their life expectancy beyond the short term, of making them immune against threats of authoritarian regression, thus making it "the only game in town". He, however, acknowledges the fact that the meaning of democratic consolidation depends on where people stand and where they aim. He says that the meaning varies according to the contexts and the goals people have in mind (Schedler, 1998:92). He says people should refer to expectations of regime continuity and to nothing else. The reason he gives for his argument is that all other usages of democratic consolidation such as 'completing, organising and deepening democracy' are problematic and can be replaced by superior alternative concepts (Schedler, 1998:103).

Schedler suggests that definitions of the consolidation should be confined to this original concern of democratic survival. He says they should be restricted to the so-called two 'negative' notions of avoiding democratic breakdown and avoiding democratic erosion. The preoccupation with the idea of avoiding "democratic breakdown and erosion" has given rise to a number of set conditions and approaches to consolidation of democracy.

These approaches and conditions of democratic consolidation vary and are informed and characterised by a number of features or variables. Linz and Stepan (1996:17) prescribe five interconnected and mutually reinforcing conditions through by which any democracy can be consolidated. These five conditions are over and above the three minimal conditions namely a functioning state, completion of a democratic transition and a government that rules democratically, which they say must be addressed before any talk about consolidation of democracy can even be entertained. *First*, that the conditions must exist for the development of a free and lively civil society. *Second*, a relatively autonomous political society in which political actors compete for the legitimate right to exercise control over public power and the state apparatus. *Third*, a rule of law throughout the territory of the state especially the government and the state apparatus. *Fourth*, presence of a state bureaucracy that is usable by the new democratic government. *Finally*, institutionalised economic society that mediates between the state and the market.

Muthien (1999:05) toeing Dahl's institutional approach to democracy reckons that consolidation of democracy presupposes the holding of free and fair elections to enable political parties to



exercise legitimate authority and citizens to obtain protection by the rule of law. A robust civil society that recognizes the diversity or plurality of interests, the richness of associational life, the protection of individual freedoms and equality before the law.

Tom Lodge (1999:1-4) explains consolidation of democracy as involving peaceful alternation of strong political parties with durable bases of core support in government, second and successive elections conducted according to the rules established in constitutions and electoral law with citizens perceiving them as legitimate. He also highlights the importance of the behaviour of institutions and citizens between elections with the conviction that change can only emerge from within the parameters of democratic procedures being of paramount importance. He furthermore believes that quality of political culture, particularly voters' attitudes as an important gauge of democratic consolidation.

According to Huntington (1991:267) democracy can measure its consolidation through the two-turnover test. The essence of this test is basically that parties or groups who lose elections should be willing to peacefully turn over power to the electoral winners. Huntington (1991:279) also believes that consolidation of democracy is dependent primarily on 'the extent to which political leaders wish to maintain it and are willing to pay the costs of doing so instead of giving priority to other goals'. He is also of the view that consolidation of democracy may be affected by the nature of the democratic institutions that are established. He reckons plausible the argument advanced by Linz, Stepan and Przeworski that parliamentary system is more compatible to consolidation of democracy as opposed to the presidential system.

Przeworski, et. al also in line with Linz believe that stakes are higher under presidential with its winner-takes-all than parliamentary executive institutions. Juan Linz believes that in a presidential executive there is a single winner namely the president, while in parliamentary systems the defeated candidate for the presidency will become leader of the opposition. Linz (1990:56) sees 'presidentialism as ineluctably problematic because it operates according to the rule of "winner-take-all" – an arrangement that he says tends to make democratic politics a zero-sum game with all the potential for conflict such games portend'. Linz argues that even though parliamentary elections can produce absolute majority for a single party, they more often give representation to a number of parties.



Moreover, power-sharing and coalition-forming are fairly common under parliamentary systems as opposed to their presidential counterparts. Parliamentary system is therefore seen as consistent with democratization and consolidation trends while presidentialism is likely to be associated with the erosion of electoral democracies in countries with lower levels of political liberties.

While it is true that parliamentarism provides a more flexible and adaptable institutional context for the establishment and consolidation of democracy, Linz (1990:84), however, stresses the fact that his argument is not that *any* parliamentary system is *ipso facto* more likely to ensure democratic stability than *any* presidential system. Nor is he suggesting that any parliamentary regime will make better policy decisions than any presidential government. He acknowledges that there are undoubtedly bad forms of both types and therefore stresses the need to reflect upon the best type of parliamentary constitution and its specific institutional features (Linz, 1990:68).

Apart from the 'institutionalist' condition to consolidation of democracy, there is another school of thought of the so-called 'economic determinists' whose argument thrust is that consolidation of democracy needs more than institutions, but favourable socio-economic conditions as well (Breytenbach, 1997:19). Linz and Stepan (1996:22) highlight the importance of the socio-economic variables and charge that if a democracy does not provide some alleviation of gross economic inequality, it will not be sustainable. Przeworski, et al, (1996:42), echoes the latter by Linz and Stepan that 'democracy is much more likely to survive in countries where income inequality is declining over time'. The argument is that people expect democracy to reduce income inequality.

Przeworski says *per capita* of US\$6000 or higher guarantees democratic endurance, whereas less than US\$1000 makes them vulnerable. Przeworski *et al* claims therefore, that affluence matters, and the reduction of inequalities are crucial. In this thesis, trends on race, inequality and economics will be assessed to measure precisely those trends. Huntington (1991:271-272) also believes that a 'high correlation exists between level of economic development and the existence of democratic regimes. He hypothesizes that democracies with high level of economic development are more conducive to consolidation than those that are 'non-industrialized.



## **Chapter Two – The Presidency: the constitution and other decision-making institutions in South Africa, 1994-2001**

### *2.1 Constitutional framework of the Presidency as provided by the 1993 and 1996 Constitutions.*

#### **2.1.1 Interim Constitution of 1993 on the Presidency**

The Constitution of 1993 provides for a parliamentary executive, which is responsible to and is dependent on the confidence of a majority in parliament. It also provided for offices of two executive deputy presidents which are new in South African constitutional law and cabinet government (Venter, 1994:177).

The executive president is both the head of government and head of state. This is unlike in other parliamentary executive systems where these offices are often separated. In Germany, for instance the two offices are separated with the head of state known as the president and the head of the government known as the chancellor. But the president is still elected by the majority party in parliament. It therefore remained a parliamentary president, which elsewhere, is usually the Prime Minister. In Commonwealth states, for instance, it is commonplace to find the head of state being called a governor-general and the head of government being called the Prime Minister. In the latter system where the two are split, the head of state enjoys nominal or ceremonial powers, while the real political power is vested in the hands of the Prime minister (Venter, 1998:61).

As the head of state, the president is vested with the executive authority. This is in relation to all matters falling within the legislative competence of parliament. He is expected to exercise and perform his powers and functions subject to and in full accordance with the Constitution. The president is required by constitution to be elected from the National Assembly during its first sitting [section 77(10 (a))].

The whole process must be presided over by the Chief Justice or a judge of the Supreme Court designated by the Chief Justice. Moreover, the Constitution empowers the Chief Justice to set the time and date of such an election. However, if such an election of the president is necessitated as a result of the dissolution of parliament, the constitution requires that it takes place within 10 days after the Senate has been convened after the election of the National Assembly held in pursuance of such dissolution [Sections 76 and 77].



Such an election of a president must however take place within 30 days after the vacancy has been created, if it is created by reason of a vacancy in the office of the president. Upon the election, the president must vacate his or her in the National Assembly [section 77(b)].

During his or her presidential reign, the president is barred from holding "an office of profit under the Republic". The elected president is allowed to hold the office for 5 years starting from the date of the first sitting of the National Assembly. However, if for whatever reason, parliament happens to be dissolved during the five-year period, the Constitution empowers or entitles the reigning president to continue until a president has been duly elected in terms of section 77(1) (b) after such dissolution and has assumed office [section 80].

The president has the responsibility to ensure that the executive observes the provisions of the Constitution and that as the head of state he or she defends and upholds the constitution as the supreme law of the land. He or she is required to, with dignity provide executive leadership in the interest of national unity in full accordance with the constitution and the law. He or she is forbidden from holding any other public office and from remunerative work outside the duties of his or her office [section 81].

The president is, furthermore, required by the constitution to be competent enough to exercise and perform the following tasks:

- ❑ *to assent to, sign and promulgate Bills duly passed by Parliament;*
- ❑ *refer a Bill passed by Parliament back for further consideration by Parliament, in the event of a procedural shortcoming in the legislative process;*
- ❑ *to convene meetings of the Cabinet;*
- ❑ *to confer honours;*
- ❑ *to refer disputes of a constitutional nature between parties represented in parliament or between organs of state at any level of government to the Constitutional Court or other appropriate institution, commission or body for resolution;*
- ❑ *to appoint, accredit, receive and recognise ambassadors, plenipotentiaries, diplomatic representatives and other diplomatic officers, consuls and consular officers;*
- ❑ *to appoint commissions of enquiry;*
- ❑ *to make such appointments as may be necessary under powers conferred upon him or her by the constitution or any other law , referenda and plebiscites in terms of the Constitution, to negotiate and sign international agreements;*



- ❑ *to proclaim an Act of parliament; and*
- ❑ *to pardon or reprieve offenders; either unconditionally or subject to such conditions as he or she may deem fit, to remit any fines, penalties or forfeitures<sup>2</sup>.*

The president is the Commander-in-Chief of the National Defense Force. He is empowered with the approval of parliament, to declare a state of national defense. He or she may also use the National Defense Force in accordance with and subject to sections 227 and 228; and confer upon members of the National Defense Force permanent commissions and cancel such commissions [section 82(4)(a) and (b)].

The President in consultation with the Executive Deputy Presidents and the leaders of the participating parties is also empowered by the constitution to determine the specific portfolios to be allocated to the respective participating parties in accordance with the number of portfolios allocated to them in terms of subsection (3). He can also appoint in respect of each such portfolio a Member of Parliament who is a member of the party to which that portfolio is allocated under paragraph (a), as the Minister responsible for that portfolio. The constitution further enables the President to terminate any such appointment if requested to do so by the leader of the party of which the Minister in question is a member, or if it becomes necessary for the purposes of the constitution or in the interest of good government. The Constitution requires that this process should be done in the spirit underlying the concept of a government of national unity and that everybody concerned in its implementation should try to achieve consensus at all times [section 82].

Owing to the clearly hierarchical structure of the executive that the constitution provides for, the dominance of the president is clearly apparent. Though the pre-eminence of the president in the hierarchical executive is evident the constitution, however, limits the competencies of the president. The president is no longer a *primus inter pares*. The president is constitutionally obliged to consider the opinions and wishes of the party leadership in the coalition partners in the Cabinet (Venter, 1994:177). Moreover, he does not have discretion as to who will be appointed to serve in the cabinet as the cabinet members are appointed in proportion to a party's representation in parliament. This is in stark contrast to the usually wide discretion that a Prime Minister in a Westminster enjoys (Venter, 1996:63).

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<sup>2</sup> direct quotation from Section 82, Chapter 6 of the Constitution of the Republic of South Africa, Act 200 of 1993.



The president also stands to be removed from office if parliament passes on him a motion of no confidence. The parliament can also impeach him on the ground of a serious violation of the constitution or other law of the Republic; or misconduct or inability rendering him or her unfit to exercise and perform his or her powers and functions in accordance with section 81(4), as the case may be [section 87]. The president does not have the right to veto acts of parliament. He cannot also on his own just dissolve parliament (Venter, 1996:64). This South African type of a parliamentary system is regarded as a hybrid form of an executive derived from the fusion of some aspects of the British parliamentary-based cabinet and the French system (Venter, 1996:63).

However, in some other respects it is said to also have characteristics resembling those of a fixed-term multiparty executive such as that of Switzerland. Reference is, for example, made to the fact that according to section 77 (4) the president, once elected must vacate his or her seat in the National Assembly and under section 88(3) executive deputy presidents may choose to do so (although section 88 makes no such provision for cabinet ministers) (Watts, 1994:128). Furthermore, owing to the fact that it gives its *imprimatur* to the leader of the executive, it is said to be closer to the German model of Chancellor government (Venter, 1994:177). Albert Venter (1994:177) argues strongly that the executive cannot be deemed a hybrid between presidential and parliamentary executives, as he believes that it is a formalized enacted parliamentary executive.

### 2.1.2 Final Constitution of 1996 on the Presidency

According to the 1996 Constitution, South Africa has an executive President. This means that the President is both the head of state and head of the National Executive [section 83]. As an executive President, he is obliged, according to the 1996 Constitution to uphold, defend and respect the Constitution as the supreme law of the Republic and promote the unity of the nation and that which will advance the Republic [Section 83].

The executive authority of the Republic is vested in him [Section 85(1)]. As such the Constitution obliges the President together with the other members of the Cabinet to exercise such an executive authority, by implementing national legislation except where the Constitution or an Act of Parliament provides otherwise. They must as well exercise it by co-ordinating the



functions of state departments and administrations; developing and implementing national policy; preparing and initiating legislation; and performing any other executive function provided for, in the Constitution or in national legislation [Section 85(2)].

The President is to be elected from the first sitting of the National Assembly after its election with the process being presided over by the president of the Constitutional Court. Only members of the National Assembly are eligible for election to the presidency. Immediately upon his election, the constitution requires that the president vacate his seat in the National Assembly and must, within five days, assume office by swearing or affirming faithfulness to the Republic and obedience to the Constitution [Section 87]. His vacancy in the National Assembly can then be filled from the electoral list of the president's party (Venter, 1998:60). The President's term of office effectively starts upon his assumption of office and ends upon a vacancy occurring or when the person next elected President assumes office. The President may only serve two terms of five-year each, except when filling a vacancy left by a previous incumbent [section 88 (1) and (2)].

The constitution provides for the removal of the President from office, by the National Assembly acting on the resolution adopted with a supporting vote of at least two-thirds of its members, on the grounds of serious misconduct or incapacity or a serious violation of the constitution or law [section 89]. The President also is obliged to resign if a majority of the members of the National Assembly passes a vote of no confidence in him [section 103].

Section 84 of the Constitution gives the President powers as well as the responsibility to carry out the following functions:

- ❑ *to assent to and sign Bills;*
- ❑ *refer a Bill back to the National Assembly for reconsideration of the Bill's constitutionality;*
- ❑ *refer a Bill to the Constitutional Court for a decision on the Bill's constitutionality;*
- ❑ *summon the National Assembly, the National Council of Provinces or Parliament to an extraordinary sitting to conduct special business;*
- ❑ *make any appointments that the Constitution or legislation requires the President to make other than as head of the national executive;*
- ❑ *appoint commissions of enquiry;*
- ❑ *call a national referendum in terms of an Act of Parliament;*
- ❑ *receive and recognise foreign diplomatic and consular representatives;*
- ❑ *appoint ambassadors, plenipotentiaries, and diplomatic and consular representatives;*



□ *pardon or relieve offenders and remit any fines, penalties or forfeitures; and confer honours*<sup>3</sup>.

As South Africa does not have a nominal or ceremonial head of state as it is the case in other parliamentary executive systems, the President is at liberty to exercise the above powers without necessarily obtaining the approval of the cabinet. The president chairs meetings of the cabinet. In his absence, the deputy president takes the chair. When both the president and the deputy president are unavailable, the acting president, usually a senior member of the cabinet designated by the president, takes the chair at a cabinet meeting. When acting as head of the national executive (cabinet), the president is obliged to exercise these powers together with the members of the cabinet [section 85(2)]. This means that the president takes decisions with the cabinet at cabinet meetings. There is no legal prescription as to how the cabinet should take decisions: either by consensus, relative majority or absolute majority (50 per cent plus one) vote (Venter, 1998:61).

The president can also exercise his powers as head of the national executive without the consent of cabinet, similar to the powers that ministers exercise in their official capacity. He is, however, collectively responsible, with cabinet, to parliament for the exercising of these powers. An example of these powers is the appointment of the president of the Constitutional Court and four members of Judicial Services Commission. The president also exercises powers on the recommendation, advice or proposals of different bodies and offices, for example the appointment of judges, the Public Protector and the Auditor-General (Venter, 1998:61). The president is also responsible for appointing the Deputy President from among the members of the National Assembly. He may select any number of Ministers from among the members of the Assembly; and may select no more two Ministers from outside the Assembly [section 91(3)]. The president may as well appoint the Deputy Ministers from among the members of the National Assembly to assist the members of the Cabinet, and may dismiss them as well [section 93].

## 2.2 The comparison between the 1993 and 1996 Constitutions on the Presidency: differences

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<sup>3</sup> direct quotation from Section 84 (2), Chapter 5 of the *1996 South African Constitution*



The interim constitution of 1993 is unique by its provision for a government of national unity characterised by power-sharing between the major parties namely the ANC, IFP and NP. This government of national unity had a constitutional mandate to rule for five years after the first election on 27 April 1994. It committed the Cabinet to function in a manner, which gave consideration to the consensus-seeking spirit underlying the concept of a government of national unity as well as the need for effective government [Section 89(2)]. In enforcing the principle of GNU the constitution of 1993 went even further to make certain additional provisions. It restricted the president's discretion in appointing cabinet members. It prescribed that cabinet members be appointed in proportion to a party's representation in parliament with a threshold of 5 per cent. Moreover, ministers were also to be appointed and replaced in consultation with the relevant leaders of the parties represented in parliament (Venter, 1996:63).

As far as the constitution of 1996, on the other hand, the concept of the government of national unity of power-sharing together with its underlying consensus-seeking spirit has been done away with. This is despite Spence's charge that this is a standard procedure in cabinets in virtually all parliamentary systems (Spence, 1994:30). A decision by a two-thirds majority of parliament could of course have extended this principle beyond 1999, however ANC, which currently enjoys majority status in parliament, did not support its extension (Hough et al, 1994:34). The 1996 constitution also sees the removal of the clause, which forces the president to consult with other parties in parliament as regards appointment of members of parliament including those of cabinet.

The interim constitution of 1993 also provided for two posts of executive deputy presidents, which were to be shared by the two parties with the largest seats in the National Assembly. It stipulated that every party holding at least 80 seats in the National Assembly should be entitled to designate an executive deputy president from among the members of the National Assembly. It also provided that in the event where no party or only one party held 80 or more seats in the National Assembly the party holding the largest of seats and the party holding the second largest number of seats should each be entitled to designate an executive deputy president from among the National Assembly [Section 84(1) and (2)]. Although it provided for extensive executive and ceremonial powers for a president, it also obliged the president, to a greater degree, to exercise them after consultation with the executive deputy presidents.



The constitution of 1996, on the contrary, provides for no executive deputy presidents except for one ceremonial deputy president with no real political powers. It provides for a remarkable limitation of his powers, with the president enjoying a significant cut above him. The deputy president is seen as the greatest loser in the new presidency. Part of the explanation is that the post was initially earmarked for the IFP leader Mangosuthu Buthelezi. With the cut in the powers of the deputy president, the president has now been given too much room in which to experiment without having to consult with the deputy president as was the case according to the interim constitution of 1993. He now can appoint and dismiss a deputy president to whom he also assigns powers and functions [Section 91(2)].

The constitution of 1996 as opposed to that of 1993 also sees an addition to the president's executive authority. The constitution states that the president must specifically exercise his executive authority by co-ordinating the functions of state departments and administrations [Section 85(2)(a)].

## 2.3 Mandela and the Government of National Unity (GNU) and National Economic Development and Labour Council (Nedlac)

### 2.3.1 Government of National Unity (GNU)

The GNU was negotiated at Kempton Park (1993 Constitution). Mandela could have vetoed. But as a president he recognised and acknowledged the existence of the multiplicity of interests and groups and the fact that unless each group possessed a political voice, stability and order would be impossible. Owing to his corporatist decision-making style, organized interest groups of the civil society were brought into the government's decisional structures. Certain institutions were put in place to accommodate different interest groups. Prominent among those institutions was the corporatist Government of National Unity, which had been agreed to in broad outline by the ANC and N.P government in 1992 (Spence, 1994:29).

The GNU was a power-sharing political pact sanctioned by the negotiated constitution whereafter Mandela had entered into with the old National Party (NP) and Inkatha Freedom Party (IFP). It was an inclusive compromise. It created a climate characterised by inclusion, compromise and loose co-operation (Kotze, 1996:04). The interim constitution of 1993 provided for a cabinet consisting of a president, two executive deputy presidents, one each from the



largest and second largest parties in the National Assembly and 27 Ministers, and an equal number of deputy ministers (Section 49; van Tonder, 1996:25).

Van Tonder (1996:25) believes that the provision for a GNU must be viewed in the context of the transitional politics, in particular allaying white fears, and satisfying the power-sharing demands of the National Party. Van Tonder traces the basis for this approach to after the collapse of CODESA 11 in May 1992 and in the signing of the Record of Understanding between the ANC and the NP on 26 September 1992. He further believes that the ANC document 'Negotiations: *A strategic perspective*' which accepted the balance of forces and the interests in the country also gave impetus to the establishment of the government of national unity.

The way the various posts were distributed between the different parties was dependent on the negotiations between the president, the executive deputy presidents and the leaders of the various parties that had seats in the Cabinet. The parties that received Cabinet seats included the ANC, NP, and Inkatha Freedom Party (IFP). The Freedom Front (FF/VF), Democratic Party (DP), Pan Africanist Congress (PAC) and African Christian Democratic Party (ACDP) did not get Cabinet posts, as they had fewer than 20 seats in the National Assembly. The Cabinet was responsible for the formulation and implementation of government policy and the president and the deputy presidents had to consult the Cabinet on all important elements of government work.

At its inception in early May 1994, it was composed of 19 ANC members, seven N.P members and four IFP members – with a shared executive. The Cabinet was to be comprised at the most of 27 Cabinet ministers (Venter, 1998:11-13. As the Government of National Unity, the cabinet had the party political support of 377 members of parliament (94 percent) (Venter, 1998:11-13). The Cabinet was based on the idea of Government of National Unity. What this means is that all parties that got at least 20 seats in the National Assembly or five per cent of seats would have representation in Cabinet. However, a party's representation in the Cabinet would have to be proportionate to the number of seats it held in comparison to other political parties.

Section 89 (2) on the interim constitution provided that the cabinet would function in a manner which gave consideration to the consensus-seeking spirit underlying the concept of national unity as well as the need for effective government. According to Spence (1994:30) this is



standard procedure in cabinets in virtually all parliamentary systems. According to 149 (2) of the interim constitution, the same idea and implementation of proportionality and prescribed coalition applied to the composition of the executive councils of the nine provinces. In this case parties with a representation of 10 per cent qualified (van Tonder, 1996:25).

As part of the provisions for the GNU, the interim constitution of 1993 provided for two Executive Deputy Presidents who had to run the office for 5 years. Any party that had managed to secure at least 20 per cent of the votes or 80 seats in the National Assembly was entitled to nominate an Executive Deputy President from among its members in the National Assembly. In the event where there was no other party that had got 80 seats in the National Assembly besides the majority party, then the party with the second largest number of seats and the majority would each be entitled to nominate the Executive Deputy Presidents. The ANC gained 252 seats in the April 1994 elections and it therefore elected the first Executive Deputy president, Thabo Mbeki. The National Party (NP) secured 82 seats and was entitled to elect FW de Klerk as the second Deputy president. The Deputy Presidents had to work hand in glove with President over certain areas wherein the latter had to consult them. They were also some sort of stand-byes for the president's portfolio in cases where the president could not perform his duties owing to ill health or because he was out of the country (Apelgren, 1994).

The Government of National Unity, however, did not last that long due to the pulling out of National Party to become part of the opposition in May 1996, having lost its attempt of persuading the ANC to continue the GNU after 1999. Before the pulling out of the NP the cabinet also had to accommodate a number of schisms, the most being the ideological distance between the three political parties represented (Venter, 1998:11-13).

### 2.3.2 NEDLAC

Mandela extended the idea of corporatism in the public sector as well. The executive branch of government, the business sector and trade unions were drawn into a tripartite policy body called National Economic Development and Labour Council (Nedlac). The latter is an important forum through which the representatives of the most powerful employer and worker organisations and the government interact through negotiation and discussion to seek agreement on important policies based on mandates. It is also a corporatist orientation in the labour field, modelled on international experience in tripartite decision-making particularly that of the post-war Germany, as well as on that of its forerunners, the National Economic Forum



(NEF) and National Manpower Commission (NMC). However, unlike other corporatist models, Nedlac goes beyond the traditional partners namely government, business and labour by incorporating the "community" in one of its bargaining forums. This is aimed at broadening democratic participation in the policy-making process on social and economic issues (HSRC a, 2001:2-3).

Nedlac officially established through the Nedlac Act, Act 35 of 1994, and launched on February 18, 1995 is regarded as an important compromise and the equivalent of the political pact. The experiment of Nedlac as a corporatist institution dates back to the special circumstances that characterized South African labour relations in the 1980s and 1990s. The emergence of organised labour in the post-Wiehahn era (CDE, 1999:40). It, among other factors, came about as a consequence of worker struggles spearheaded by the major progressive union federations such as COSATU and NACTU during the late 1980's. These worker struggles were in response to the attempt by the Nationalist Party government in 1988 to amend the Labour Relations Act (LRA) in the hope of curbing union power. Following two years of intense struggle, in 1990 an agreement known as the *Laboria Minute* was reached between unions, employers and government. The agreement meant that all future labour law would first be subject to the consideration of employer bodies and major union federations before being sent to parliament. The agreement further committed the unions to participating in the National Manpower Commission (NMC), a body set up a couple of years ago, but which was boycotted as a toothless advisory institution. Following the insistence on the union's side, the agreement also provided for the reconstruction of the NMC with more power (SAHDR, 2000:148).

The other impetus to the creation of Nedlac is closely linked to the apartheid government's attempt in late 1991 to impose the Value-Added Taxation which was consequently resisted by the labour unions on grounds that it was regressive and hurting to the poor. The unions were also opposed to it as a way of trying to prevent the apartheid government from unilaterally restructuring the economy on the threshold of a new democratic dispensation. The labour unions then demanded a role in the formulation of macroeconomic policy, something that resulted in the establishment of the National Economic Forum (NEF) in 1992. Tensions around the role of the forum in particular led to a situation where labour unions, on one hand, were clamouring for a negotiating body and business, on the other hand, was calling for an advisory body which the chief aim of making the South African economy governable (SAHDR, 2000:148).



There is however another explanation regarding the exact origins of Nedlac. People closely in touch with those in business trace the origins of Nedlac to the decade prior its establishment, to a number of important agreements and accords that were reached between business, government and labour. These agreements and accords include amendments to the Labour Relations Act in 1988; a protocol on the obligation to consult business and labour before legislative reforms in 1991; a national peace accord in 1991 (which laid down codes of conduct for political parties and the police); and a mechanism to fix the petrol price in 1993 (CDE, 1999:40).

Nedlac is made up of four separate “negotiating chambers” with each concerned with a particular aspect of its policy activities, from the heart of Nedlac. The four chambers are the Public Finance and Monetary Policy chamber; the Trade and Industry chamber; the Labour Market chamber; and the Development chamber [see NEDLAC Act No. 35 of 1994, section 3]. These chambers deal with public finance and monetary policy trade, mining, agricultural; and industrial policy; labour market issues; and general socio-economic development respectively. Whatever agreements are arrived at in these chambers are fed to the management committee, which is supposed in turn to report to the Executive Council – the highest decision-making structure (SAHDR, 2000:151). Representation in the three chambers is strictly corporatist in the sense that only labour, business and government were present, while the inclusion of community-based interest organisations is limited to the “development chamber” (Sadie, 1998:283).

*Organized labour* is represented by COSATU, FEDUSA and NACTU who directly represent over two million workers. The Minister on nominations made by the organized labour appoints its representatives [see NEDLAC Act No. 35 of 1994, section 3(3)]. The *government* is represented by ministers, deputy ministers and director generals from several ministries and departments including labour, finance, trade and industry, public works, and mineral and energy affairs. *Business* is represented by Business South Africa and National African Federated Chamber of Commerce. The Minister on nominations made by the organized business also appoints this group's representatives [see NEDLAC Act No. 35 of 1994, section 3(2)].

The *community* is represented by the South African National Civics' Forums (SANCO), and the National Women's Coalition (NWC), the National Youth Commission (NYC), the National Rural



Development Forum (NRDF), and the Federal Council for the Disabled (HSRC a, 2001). These are supposed to be the organizations of community and development interest that first, represent a significant community interest on a national basis; have a direct interest in reconstruction and development; and are constituted democratically [see NEDLAC Act No. 35 of 1994, section 3(5)].

The principal purpose of Nedlac is to organize a partnership between government, labour and business in the socio-economic arena. Nedlac is therefore a body that attempts to draw these three contending actors into a cooperative process of formulating policies and managing institutions. Nedlac is a negotiating and not an advisory body, whose task is to produce agreements, not recommendations [see Nedlac Act No. 35 of 1994, section 5(1)]. Agreements and proposals negotiated by Nedlac are expected to be promulgated by parliament (Habib, 1997:65). Apart from reaching agreements, Nedlac also has a role in helping build a culture of democratic participation and social dialogue in society. This role includes information sharing, research, workshops and seminars and dispute resolution (SAHDR, 2000:150).

Nedlac strives to promote the goals of economic growth, increased participation in economic decision-making and social equity. It also seeks to reach consensus and conclude agreements on matters pertaining to social and economic policy. Nedlac also considers all proposed labour legislation and significant changes to social and economic policy before they are introduced into Parliament. Furthermore it encourages and promotes the formulation of coordinated policy on social and economic matters [see Nedlac Act No. 35 of 1994, section 4].

It facilitates the emergence of co-operative relationship among labour unions, capital and the state in the socio-economic arena and replaced the adversarial dynamic in the model of labour relations. It is guided by the ideological rubric of national unity, reconciliation and development (Habib, 1997:61). It is facilitated by the consensus spirit underlying the political settlement that promotes a consensual approach to state-society relations (Habib, 1997:71).

Nedlac's role is to ease the passage of legislation, through a process of consensus-seeking and agreement-making, which gives rise to agreements which are not binding on parliament, but which resolve conflict prior to the legislative stage of policy formulation. In cases where the social parties have reservations on the agreements reached in Nedlac, or where no agreements arise, the legislative process allows them another chance to influence the policy-



making process (HSRC c, 2001:3). It negotiates consensus on social and economic policies, and legislation, before all draft legislation goes to parliament. In this way a number of quite contentious labour laws are designed and formulated at Nedlac, before submission to parliament for enactment. This affords big business and big unions the golden opportunity to steer away from adversarial labour relations, a common occurrence of the past. While Nedlac possesses the power to consider and agree on policies before they go to parliament, the latter is still sovereign, and must accept any Nedlac agreement before it becomes law. Parliament reserves the authority to change any agreement reached at Nedlac although, having being reached between key constituencies, such an agreement would carry considerable weight (SAHDR, 2000:150).

Nedlac has played a significant role in transforming the policy-making process by deepening participation in economic and social decision-making processes, as well as by enhancing transparency. In addition, the Nedlac process can also be credited for promoting the legitimacy of policy by including various parties outside the executive and legislative institutions in decision-making on matters which affect them in particular, and society in general (HSRC c, 2001:3).

In its efforts to promote social dialogue and consensus on many economic and social issues, Nedlac is credited for contributing indirectly to the growing confidence in South African economy. Nedlac's role and contribution is also both acknowledged and commended in the conclusion of a number of significant agreements, which impact, on economic and social development. Nedlac has furthermore attained agreement on some aspects of policy relating to these issues as well. CDE (1999:43) summarizes the issues addressed by Nedlac through its various chambers between 1997 and 1998 as follows:

#### *Labour market chamber*

- ❑ The Basic Conditions of Employment Bill.
- ❑ Employment and occupational equity.
- ❑ The demarcation of sectors for bargaining purposes in terms of the Labour Relations Act.
- ❑ The code of practice on picketing.
- ❑ A code of practice on retrenchment.
- ❑ A skills development strategy.

### *Development chamber*

- ❑ The Masakhane campaign.
- ❑ A policy for service tariffs.
- ❑ Housing policy.
- ❑ The draft Water Services Bill.

### *Trade and industry chamber*

- ❑ European Union trade negotiations.
- ❑ The Southern African Development Community trade protocol.
- ❑ The development of a strategic approach for South African involvement in the Indian Ocean R1m initiative.
- ❑ Monitoring progress in the implementation of supply-side measures already agreed upon.
- ❑ Monitoring cluster studies.
- ❑ A social plan to manage the effects of large-scale retrenchments.
- ❑ Competition policy.
- ❑ Discussion of the green paper on procurement policy.
- ❑ The restructuring of customs and exercise functions within the Inland Revenue Service.

### *Public finance and monetary policy chamber*

- ❑ The medium term expenditure framework.
- ❑ Research into savings.
- ❑ Development of strategies to accelerate investment in socio-economic infrastructure.
- ❑ Education on the tax system with a view towards improving tax compliance and morality.

These issues also include a number of agreements around the National Public Works Programme, agreement on the formation of local development structures, the formation of a National Development Agency, agreement on the National Small Business Enabling Bill, and agreements on the establishment of an investment agency, Investment South Africa (HSRC b, 2001:4).

Nedlac's most significant success to date has been the agreement among business, labour and government, and the formulation through parliament of the labour Relations Act (Sadie, 1998:283). Nedlac is, however, pointed at as having failed to make a major impact on resolving



major economic problems. The former Labour Minister Tito Mboweni and lot of observers ascribe this to what is considered to be an 'insufficient shared vision' between the social partners on how to boost growth and job creation' (Singh, 1997:32). They point to the union's opposition to the government's macro-economic policy framework (GEAR) and what is considered as the tendency on the part of some in business to give a right-wing interpretation to GEAR as the witness to their claim. Significant as it is, GEAR is one of the most important policies emerging from the government which did not pass through the Nedlac process.

Raymond Parsons, Business co-ordinator in Nedlac, also once conceded that Nedlac's greatest challenge is to develop a set of common strategies for growth and employment (Parsons, 1998). This lack of consensus, and the government's refusal to negotiate its macro-economic policy framework, has resulted in disagreement, particularly between COSATU and government. COSATU views GEAR as a major contributing factor in accelerating unemployment and limiting economic growth (HSRC b, 2001:2-3).

Apart from general failures, Nedlac is also dogged with critical issues and problems relating to representativity and inclusivity. The labour and business organizations represented in Nedlac, for example, are accused of not being representative of all business-people, or all workers. The same is said about those organizations in the Development Chamber that they are not representative of all the people in their various sectors. Nor are all significant groups represented in Nedlac, such as consumers, people working in the informal sector, the unemployed, and so forth. There is also a concern raised by community organizations and NGOs about their being confined to the Development Chamber, and to the lack of equity in their representation in the Management Committee and the Executive Council of Nedlac (HSRC c, 2001:3). Employer bodies, as well, are said to not represent all employers in the country. It is estimated that the employer organizations represented in Nedlac account for 30 per cent of the total number of active businesses in South Africa, although a significantly higher proportion of both formal employment and the gross domestic product (CDE, 1999:45).

Even with the organizations and interest represented in Nedlac, problems effective representation and participation are immense. The overriding one is that in the area of communication and mandating. This problem is caused by the relatively long and complex communication chains and the large number of 'filters' and 'gatekeepers', which consequently results in the lack of understanding of both issues and the implications of certain policy



proposals at the grass-roots level of different constituencies. A clear evidence of this is the seven-layer process of mandating and communication that a member of a participating employer organisation has to face in order to participate in the Nedlac process of policy formulation. CDE, 1999:45).

CDE (1999:47) has also noted the following constraints on Nedlac and its operations:

- The ongoing tensions within the ANC/SACP/COSATU alliance as a complicating factor.
- The fact that the responsibility of Nedlac is under the jurisdiction of the ministry of labour has created a perception of Nedlac as a bargaining chamber.
- The perception that some organizations within the business and labour constituencies are dominating. COSATU is perceived as controlling the strategies and tactics in the labour constituency to the exclusion of other union federations. In the case of business, Business South Africa is accused representing the interests of only large 'white' business.
- Differences that exist particularly among different cabinet ministers about what constitutes important legislation and about whether such legislation will have an impact on the economy and thus whether such legislation shall be submitted Nedlac.
- The limited number of people with each constituency who understand the policy process, who can contribute meaningfully to it, and who have time to do so.
- The unbearable pressure on Nedlac as a structure owing to it being viewed as an agreement-making body rather than a consensus-seeking one in the light of the current low levels of trust between parties.

## 2.4 Mbeki and the Policy Coordination Advisory Services (PCAS) Unit and International Investment Council (IIC)

### 2.4.1 The PCAS Unit

Mbeki is an Africanist of a special type, a former communist, and a sometime liberal. His critics label him a democratic centralist taken after Lenin. This is alluded to Lenin's conviction that party members may have their say in policy-making and in internal elections but, must respect party hierarchies once policy has been agreed. Moreover, this is also ascribed to the fact that, in his 'Marxist incarnation', he was once a loyal member of the South African Communist Party, who fed on the 'hagiography' which was allowed to grow around Lenin and his doctrine known



as democratic centralism (Holiday, 2000:01). However, his enigma makes pigeon-holing by ideology a difficult task.

In terms of his approach to decision-making, Mbeki has shown a propensity for governing from the centre, making, not parliament or even the cabinet, but the president's office the focal point from which all real power radiates (comes out) and where decisions of significance are taken. He is accused of allowing the National Assembly to degenerate into what other scholars call a 'not very amusing talking shop' and appointed a rubber-stamp Cabinet, which consists of people beholden to him (Holliday, 2000:01). Critics accuse him of having a zero-sum approach to power, regarding alternative sites of capacity as competitors rather than as potential contributors to political capacity. Under his presidential reign state departments, interest groups, party factions are said have all been neutralized (Butler, 2000:201).

Mbeki has reconstructed a presidency, characterised by shifting power away from parliament and Cabinet into a network of new structures located within his office. This has resulted in greater policy control and centralization of policy in his office. This, he believes, will enable him to control the most crucial aspects of delivery (Haffajee, 1999:10). Mbeki's office in a way is taken after Tony Blair's. This is so because towards the end of 1998, Thabo Mbeki's brother by the name Moeletsi was dispatched to Britain to observe and understand the way the British Cabinet Office – a body tasked with administering and co-ordinating the executive arm of the British government, was functioning (Hadland and Rantao, 1999:109).

Mbeki's presidential office is thus characterised by centralization of power and more reliance on experts, both of which are said to make delivery easier, and less interest in deepening people's participation, which is said to delay it. Thus it is accused of being obsessed with delivery rather than democracy (Friedman, 2000:25). It is also criticized for paying less and less attention to its opposition counterparts, becoming complacent, even arrogant and less constrained by the virtues of accountability, responsibility and transparency in decision-making (Spence, 1999:03). The Time Magazine (2000) says that while Nelson Mandela's presidential office was engagingly open, Mbeki instead has 'reconstructed the presidency around himself into a powerful impenetrable and disturbingly authoritarian organization'. This is why Heywood's term "elitism" may be appropriate in characterizing Mbeki's style of governance.



Many people have thus given it a lot of adjectives like “kitchen cabinet”, “back-room presidency”, “super presidency” and with the popular one being the “imperial presidency”, all of which reflect what is considered a level of secrecy and excessive concentration of power characterizing it.

Much of the restructuring taking place in the President’s office is, however, said to have been the result of the findings and recommendations of the Presidential Review Commission (PRC), which was tasked to look into the structure and functions of the public service (Butler, 2000:196).

As opposed to Mandela’s presidency, Mbeki’s presidency sees the merger of the former separate offices of the President and Deputy President into what is known as the “Integrated Presidency”. This has obviously increased the staff population in the Presidency from an initial 38 during Mandela’s presidential reign to a staff complement of 341 presently. Of the 341 posts, only 288 had been filled by January 2001 (Business Day, April 10, 2001:02). Furthermore, the new Presidency also sees the remarkable limitations on the role of the Deputy-President with the President enjoying a remarkable cut above him. The Deputy-President is regarded as the biggest loser in the restructuring of the President’s Office, partly because his post was initially designated for the IFP leader Mangosuthu Buthelezi. The latter was to play merely a ceremonial role with no real political power (The politics briefing, 2000).

The presidency, apart from the President and his Deputy President together with their respective *special advisers* is also made up of other key role players as well. There is also a ‘*Minister in the Presidency*’ by the name of Essop Pahad, residing in the presidency as his title so suggests. He is a close and longstanding confidante of president Mbeki. His duty is political responsibility over the key areas of transformation such as fate of disabled people, children, women and youth. He is also charged with the political responsibility over, what analysts consider to be the government’s propaganda arm, the Government Communications and Information Systems. He, moreover, plays a key role as part of the Advisory Forum for the presidency (The politics briefing, 2000).

The “*Chief of Staff*” in the Presidency, Frank Chikane is the Director-General and Cabinet Secretary in the presidency. He is regarded as more powerful than his predecessor Jakes Gerwel. He is definitely the most influential civil servant in the Presidency. He first joined



Mbeki's office in the Deputy-Presidency in November 1995, as special adviser and chief of staff, and was later made Director-General (The politics briefing c, 2000). He acts as the head of administration section in the Presidency tasked with the management and administration. The President and his Deputy-President, in addition to their special advisors, have *parliamentary counselors* who assist them in carrying out their parliamentary responsibilities well. There is also Committee-cluster of Cabinet ministers focussing, among other things, around key policy and delivery areas (Office of the President, 2001:09-11).

The key component, though, in the restructuring in Mbeki's presidential office and his social delivery plan is the five-unit Policy Coordinating Advisory Services (PCAS) Unit based in the presidency and reporting to him. The PCAS Unit vets new policy and drafts legislation before being tabled at Cabinet meetings. Its Chief-Directors within each unit enjoy powers equal to those of Ministers. The Unit is under the headship of a Deputy Director-General, probably the most influential civil servant after the Director-General, Frank Chikane. However, ever since July 2000, the PCAS Unit has been without a leader following the resignation of Pundy Pillay. The Unit looks remarkably the same as the former President P.W Botha's National Security Management System and State Security Secretariat (The politics briefing, 2000).

The PCAS Unit replaces the old Coordination Implementation Unit (CIU) formerly in the Deputy-president's office. The PCAS Unit manages a cluster of departments in policy-making and implementation. It is meant to facilitate better policy coordination of special cross-cutting projects and programmes, monitor the implementation process and reconcile government as a whole. It is also meant to evaluate the outcomes of the different projects and programmes in order to ensure economic growth, job creation and social development (Haffajee, 2000:10).

The PCAS Unit has as its chief function the responsibility of ensuring that the Presidency is better placed to perform its co-ordinating and integrating function. It is meant to advise the president as well as the Deputy-President and the Minister in the Presidency on all aspects of policy-co-ordination, implementation, and monitoring and assists on special cross-cutting projects and programmes (Office of the President, 2001:41).

It is tasked with the responsibility to follow policy debates in various departments on issues such as poverty relief, restructuring of state assets and integrated rural development. It is expected to function as a catalyst for an integrated approach to all policy development and



implementation. The Unit also provides support to *ad hoc* Working groups set up by the President and the executive from time to time on specific policy areas or operations. This is said to minimize the role of department bias in the deliberations of Clusters. It is also meant to proactively raise matters of importance or interest to the attention of the relevant Directors-General Cluster (Office of the President, 2001:41).

To ensure informed co-ordination of different policy areas, the Unit has five Chief Directorates. The latter cover such areas as *Governance and Administration; International Relations, Peace and Security; Economy; Justice, Crime Prevention and Security; and Social sector*. These Directorates represent and reflect the Cabinet and Directors-General Clusters. In addition to this the Unit has three special programmes, namely, the *Offices on the Status Of Women; Office on the status of Children; and Office on the status of Disabled People*. These three programmes are meant to ensure that all government entities are in full compliance with specific prescribed policy positions in regard to these groups of persons in our society (Office of the President, 2001).

The association of these groups with the PCAS Unit is said to be give them special leverage to that the concerns of women, children and disabled people feature prominently in the mainstream of integrated policy-making and are not simply being marginalised as special interests. These programmes are the political responsibility of the Minister in the Presidency (Office of the President, 2001:41).

The Chief Directorate for *Governance and Administration* – deals with all policy matters related to governance and administration. Its task is to service the Directors-General's Cluster and the Cabinet Committee on governance and Administration. At present this Directorate is vacant. Ms Nobayeni Dladla is taking responsibility for this Chief Directorate until the post is filled (Office of the President, 2001:30).

The Chief Directorate on *International Relations, Peace and Security* is responsible for all matters relating to international relations, trade, international investments, marketing of South Africa, peace and security. On top of that, it also provides support and services both the related Directors-General' s Cluster and Cabinet Committee. Miss Thembi Majola heads it (Office of the President, 2001:30).



Chief Directorate for the *Economic Cluster* deals with economic investment, employment and strategies on national human resources development issues. It also has a responsibility of facilitating the special groups of business meetings as well as the International Investment Advisory Council. Mr. Goolam Aboobaker heads it. (Office of the President, 2001:30).

Chief Directorate on *Justice, Crime Prevention and Security* deals with policy matters in these areas. The Unit also provides support services for both the Director-Generals' Cluster and Cabinet Committee on Justice, Crime Prevention and Security. It is currently vacant but Miss Thembi Majola is responsible for it until the post is filled (Office of the President, 2001:31).

Chief Directorate on the *Social Sector* deals with policy matters related to the social sector ranging from education, health and welfare to poverty alleviation, social crime, rural development and reparations. It also prides support to the Director-Generals' Cluster and the Cabinet Committee on the Social Sector. Miss Nobayeni Dladla heads it (Office of the President, 2001:31).

Ferial Haffajee (2000) holds the view that the "super-Presidency" as he refers to it, has yet to accomplish its mission of co-ordinating policy and ensuring that development takes place. In explaining his viewpoint, he points to the fact the PCAS unit appears to be unraveling.

Haffajee says that the Unit has been without leader for months, since the departure of its deputy director-general, Pundy Pillay in July 2000. It has also been without two chief directors.

Haffajee (2000) also thinks that the PCAS Unit has failed in its task of trouble-shooting and giving the President a bird's eye view of the government. He says chronic underspending across departments was not picked up early by the Presidency. In addition to the state's failure to spend Welfare, Umsobomvu Fund, and Lottery millions, there are underspending problems at Public Works, Housing and Labour.

Butler (2000:200) believes that such unit as PCAS certainly affronts Congress of South African Trade Union (COSATU) member unions and ANC parliamentarians, both of which groups have played a role policy-making from 1994-1999. But more importantly, it 'alienates wider publics

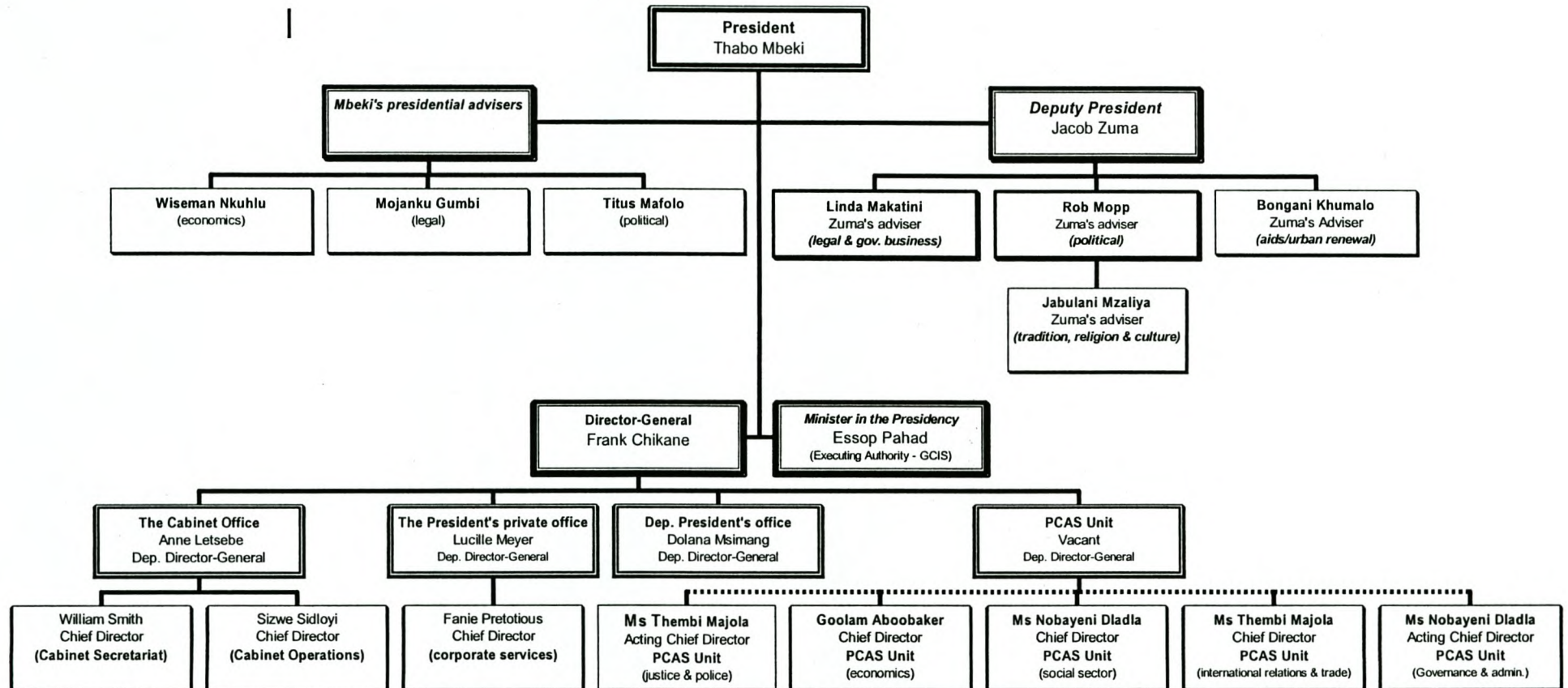


habituated to consultation and discipline in the opposition movement'. He argues that 'policies not owned by the politically active population are less likely to deliver results'.

Sean Jacobs (1999:07-8) suspects that, while the formal policy-making process is 'entrenched' in reality the PCAS Unit will make decisions behind the scenes, while Ministers will sell PCAS Unit policy to the public. Another concern by Jacobs is around changes that Unit will effect in the relationship between the different levels of government, with the centre strengthened at the expense of provincial levels.



## The Mbeki Presidency



## 2.4.2 International Investment Council (IIC)

### INTERNATIONAL INVESTMENT ADVISORY COUNCIL MEMBERS

**Martin Kohlhaussen** – *Commerze Bank AG*  
**Percy Barnevick** – *INVESTOR AB*  
**Sir Robin Ross** – *D-Group*  
**Niall FitzGerald** – *Unilever PLC*  
**Jurgen Schremp** – *Daimler Chrysler AG*  
**Bill Rhodes** – *Citigroup Inc.*  
**Sam Jonah** – *Ashanti Goldfields Co. Ltd*  
**Frank Savage** – *Alliance Capital Management International*  
**M Makihara** – *Mitsubishi Corporation*  
**Raten N Tata** – *Tata Sons Ltd*  
**Tan Sri Dato' Mohd Hassan Marican** - *Petronas*  
**Dr Anthony O'Reilly** – *Independent News & Media Plc*

**Source:** Office of the President, 2000

The International Investment Advisory Council as it is otherwise referred to, is a new Council constituted by prominent Chief Executives of major business entities internationally. The Council is made of four Working Groups. These working groups bring government together with big business, the black business sector, commercial agriculture and the trade unions. Through its working groups the Council seeks to ensure that South Africa is an attractive destination for foreign investment (Zuma, 1999). The Council members are to work with the President, Ministers as well as leading local business people and trade unionists to help ensure that South Africa is an attractive destination for foreign investment (Office of the President, 2000). Mbeki's obsession with foreign investment is however said to be contrary to the line of thinking prevalent in the Alliance partners and among countries like South Korea and Malaysia which favour domestic-induced economic growth (Gumede a, 2000:42-43).



The Council is intended to be advisory body, without policy-making function though it will still remain critical to the formation of policies that will contribute to making South Africa investment friendly. The Council was set up to draw on the expertise of international businessmen. By drawing on the insights and wisdom of distinguished international business leaders who comprise its membership, the Council is intended to provide guidance to the President on how the economy of the country could meet the challenges of economic development through the attraction of foreign direct investment. Investment is viewed as key to economic and employment growth and social development in the country. (Office of the President, 2000).

The Council and its Working Groups is to complement the work of the consensus policy-making body called National Economic Development and Labour Council by identifying ways and means of strategically positioning South Africa in key areas. Whatever issues emerging from interventions of the Council may even be referred to NEDLAC for elaboration, resolution and implementation (Zuma, 1999). Its relation to NEDLAC is, however, still not clearly defined (Gumede a, 2000:42-43). The Council is also meant to serve as a vehicle for high-level decision-makers to communicate directly with the Presidency (Zuma, 1999). The members, amongst which are the most influential business leaders operating in the global economy, are said to have committed themselves to participating in the Council to assist in finding solutions to spearhead South Africa's economic growth (Office of the President, 2000).

The Council's establishment was officially announced by President Thabo Mbeki in his 'state of the nation' address on the 2<sup>nd</sup> of March 2000. It came immediately after the World Economic Forum in Davos, in Switzerland where Mbeki is understood to have had extensive discussions with some members of the Council who were in attendance there (Gumede a, 2000:42-43). It is star-studded think-tank. It was established as part of the current government's efforts to improve effectiveness in areas of growth and investment (Office of the president, 2000). Its establishment is referred to as yet another evidence of Mbeki's growing penchant for advisers, focus groups and surveys (Gumede a, 2000:42-43).

Though the Council operates from Trade and Industry Minister Alec Erwin's office, President Mbeki is chairing the Council. Moreover, though Mbeki initially intended the Council to meet annually, he has since changed, on the insistence of the Council members, to six-monthly meetings in South Africa where possible to keep the momentum going. The Council has already held two meetings with the majority of members in attendance. This gives an



impression that it is seriously taken. The inaugural meeting took place at the Mala-Mala game reserve in Mpumalanga in June 2000 where Council members discussed investment issues over two days (Gumede b, 2000:35).

In that inaugural meetings a number of recommendations were made for the South African government to investigate and study. Decisions were also taken on the future operation of the Council and joint action. Among these was a decision to meet twice a year in South Africa and the need for government to communicate better. Mbeki was also told that that he was suffering from 'perception deficit' and that South Africa required comprehensive improvement in the promotion and imaging among investors and opinion-makers within and without South Africa (Gumede b, 2000:35).

The second meeting of the International Investment Council took place on the weekend of the 24-25<sup>th</sup> February 2001. It involved a report-back on matters discussed in the last IIC meeting; the government's communication and marketing strategies; the government's economic programme for 2001 and the Millennium African Program (Office of the President, 2000).

## 2.5 Assessment

Mandela's approach to decision-making was to a large extent informed by his efforts of forging national unity through. nation-building. It was, by and large, corporatist as explained by Heywood. As a Freedom Charterist, who subscribed to the idea that "South Africa belongs to all who live in it", the steps into corporatism came naturally.

Mandela's presidential approach to decision-making was also consistent with that under a parliamentary system as explained by Linz and Przeworski et al. Though as a typical parliamentary system it produced absolute ANC majority, the power-sharing GNU, however, gave representation to other parties. It was also cognizant of Heywood's explanation of a pluralist system that recognizes the existence of the multiplicity of interests and groups in society, which further insists that unless each group possesses a political voice, stability and order will be impossible. It was also corporatist in the sense that it brought into the government's decisional structures associationally organized interests of the civil society irrespective of the electoral performance and size of their respective constituencies. Corporatism as represented by GNU and Nedlac fostered greater stability and loyalty. This is



despite the fact that some scholars view such corporatism as a threat to democracy as it is accused of only favoring an elite of the so-called insiders against the majority otherwise known as the outsiders. It is also credited with doing much to secure loyalty to the new government from groups, which might otherwise have felt excluded and subject to the domination, by the ANC. Nedlac is accused of undermining the sovereignty of parliament and trying to turn it into a 'rubber stamp'. This is because of the requirement that economic and labour legislation be referred to Nedlac prior to its tabling in parliament. This is seen as undemocratic as law-making is viewed as the area of people's elected representatives. Moreover, there is a tension between the sovereignty of parliament and the need of the social partners to feel confident that parliament will not successfully change agreements reached in Nedlac. There are also no procedures for dialogue between negotiators in Nedlac and the standing committees of parliament (CDE, 1999:47).

The central role that Nedlac played in Mandela's presidential epoch is now effectively replaced by the central role that the Mbeki's president's office is playing, more particularly through the PCAS unit together with the newly established International Investment Council. The relation, for instance, of the newly established International Investment Council to consensus policy-making bodies such as the National Economic Development and Labour Council is not clearly defined (Gumede a, 2000:42-43). The result of this scenario is that, corporatism as reflected by Nedlac is now being replaced by elitism of a narrower kind, trusted circle of technocrats.

The kind of democratic centralism portrayed by the Mbeki presidency's reliance on technocrats accountable only to him as their employer as opposed to parliament is inconsistent with the theory of pluralism as defined by Heywood. The technocrats that the president relies on are not accountable to elected representatives except the president. The Directors-General are accountable only the President who is claimed to be signing their contracts as opposed to the respective and relevant Ministers. Furthermore, the establishment of the PCAS Unit is said to strengthen the centre at the expense of provincial levels thus circumscribing general participation (Jacobs, 1999:4-8).

For Mbeki the technical aspects of securing economic growth, implementing social programs to reduce poverty and inequality, and deracialising the society are taking precedence over democratic goals like respecting political diversity or extending representation. This is

suggestive of the implied claim that there is a trade-off between material improvement and democratic quality (Friedman, 1999:15).

However, the prospects for consolidation of democracy depend primarily, not on improved administration and enhanced (though these remain important) but on the extent to which the measures against poverty and inherited inequality are pursued in a manner that recognises and acknowledges that 'democratic intangibles' matter to citizens as much as material improvements (Friedman, 1999:15). Under the present circumstances where much concentration is on delivery the prospects for consolidation of democracy do not seem promising.



## CHAPTER THREE: Presidential policies compared: Race, Inequality and Economy

### 3.1 Policy trends under Mandela

#### 3.1.1 Race and inequality problem

In terms of his approach to race relations, national unity through national reconciliation was the keynote of Mandela's presidential era. The principle of national unity informed Mandela's government relationships with both friend and foe (Habib, 1997:71). Within the ideological camps represented inside the ANC Mandela was a nationalist/Freedom Charterist drawing much of his influence from the tradition of non-racial freedom Charter, whose thinking fitted well with the negotiated settlement of power-sharing during the early nineties in South Africa. In the name of new patriotism Mandela called upon all South Africans to do their part in reaching out to each other in a spirit of partnership and co-operation to realise political equality in a formal democratic system. He expressed frequent support for democratic principles and in an unusual willingness to reach out to racial and linguistic minorities (Friedman, 1999:14). Win-win approach became the basic premise of his approach to race (Blake, 1998:43).

Mandela focussed by and large on promoting a brand of nationalism that promoted a South African identity characterised by "rainbowism" which gave birth to the concept of a "rainbow nation". Rainbow nation as coined by Archbishop Desmond Tutu means 'something intrinsically though not sharply divided and yet indivisible (Filatova, 1997:50). It is a rich imagery and myth that held a divided country together both through negotiations at CODESA and the uncertainty of power-sharing during the early years of the new democratic political system (Jacobs et al, 2001). It is a concept of racial inclusivity.

This brand of rainbow, even though others saw it as a romanticised representation of the Charterist interpretation, was consistent with politics of the transition that had focussed more on power-sharing between blacks and whites and creating a feel-good-mood among South Africans to avert the eruption of racial and ethnic violence (Chothia, 2000:13). The concept of a rainbow nation was given birth to by Archbishop Desmond Tutu following renewed attempts by the gone apartheid state to reinforce anew race divisions in the latter years of the 1980's (Jacobs, et al. 23-29 March 2001). It also aligned well with the Charterist ideal of a South African nation as a union based on cultural diversity and equality. One of its positive spin-offs is the fact that it made minority groups, white people in particular feel comfortable (Filatova, 1997:50). It earned Mandela a rare degree of loyalty from minorities that would have been



impossible had the ANC been led by a more conventional African nationalist (Friedman, 1999:14).

Mandela's cabinet appointments clearly reflected his commitment to the Charterist brand of nationalism. He gave cabinet posts to other members of different racial groups. During his presidential reign the African National Congress for the first time elected a leader from a minority group to one of the top six posts of the party, namely Cheryl Calorus, a coloured person (Chothia, 2000:13).

As regards the inequality problem, South Africa has been dubbed the land of 'contrasts'. The differences between the two nations in the country namely 'blacks' and 'whites' constitute the most significant contrast. This is a view of course incompatible to the way Mandela and Freedom Charter explain South Africa. These differences are often explained in terms of access or lack thereof to life-sustaining opportunity, skills, knowledge, facilities, infrastructure and natural resources. This is, in part, attributed to the long period of colonial and apartheid white domination, and economic fluctuations (Radebe, 1998).

During the colonial and apartheid past, the South African economy was intentionally crafted and based on systematically enforced racial division in every sphere of society. Rural areas were designated into underdeveloped bantustans and well-developed commercial farming areas. Townships and cities were divided into townships without basic infrastructure for blacks and well-resourced suburbs for whites (RDP document, 1994). This was coupled with segregation in the areas of education, health, welfare, transport and employment, which consequently left an unenviable legacy of inequality. The consequence of this is that, although South Africa in terms of per capita income ranks among the top middle-income countries in the world, a large proportion of the population has not benefitted from what South Africa has to offer. Traces of extreme income inequality across the country, racial and class lines are vividly evident. This simply means that conditions of destitution and hunger coexist with those of lavish affluence (Woolard and Barberton, 1998:1-5).

To attend to the problem of inequality the newly elected democratic government prioritized the eradication of poverty and inequality reduction. That led to the re-prioritization of the national budget buttressed by a plethora of policies and programs of departments such as Welfare, Health, Water Affairs, Education and Housing. The Budget had been restructured to give



priority to spending on education, health, welfare and social infrastructure. In 1996 for example South Africa put aside more than 22% of the national budget to be spent on social services.

Two processes that were regarded as the bedrock for all future strategic action were put in motion. The first one was an Inter-Ministerial Committee on Poverty and Inequality, which was established in September 1996. This Inter-Ministerial Committee on Poverty and Inequality then spearheaded a process of conducting a comprehensive research to:

- ❑ give a comprehensive analysis of poverty and inequality in South Africa;
- ❑ provide an analysis of policies impacting on the implementation of the Government's RDP policy on the reduction of poverty and inequality;
- ❑ assess the adequacy of government's strategies towards poverty alleviation and inequality reduction and possible hurdles to their implementation; and
- ❑ suggest continuous monitoring and implementation mechanisms to measure the impact of strategies, policies and programs to reduce poverty

Subsequent to the establishment of Inter-Ministerial Committee on Poverty and Inequality came the launch of the War on Poverty campaign in 1997 – a campaign involving government and the NGO sector. This was followed by the Poverty hearings ("Speak Out on Poverty") under the auspices of the South African National NGO Coalition (SANGOCO) in conjunction with the religious sector and the Human Rights Commission. The purpose of the Speak Out on Poverty campaign was to raise the voices of the poor in the fight against poverty. The campaign resulted in a series of public hearings across South Africa between March and June 1998 (Report on Social Development, 2000).

A conditional grant for poverty relief by the Ministry of Finance, which was to be distributed to 1133 community-based projects, was awarded to the Department of Welfare R50m in the financial year 1997/98. About R203m for the poverty relief program was also made available for the financial year 1998/99. A further R1 billion of the 1999 budget targeted at poverty relief programs was put aside as government's way of honoring the commitments it made at the Presidential Jobs Summit in 1998. This amount was set to increase to R1, 2 billion in 2000 and to R1, 5 billion in 2001 (Report on Social Development, 2000).

Safety nets were/are also being provided for the poor by the government's non-contributory social security system. The latter includes the following grants: *old-age grants, disability grants,*



*war veterans grant, grant-in-aid, state maintenance grant, foster care grant, care dependency grant and child-support grants.* Social Security is a combination of the following four components: *social assistance, social insurance, social relief and savings.* This Department of Welfare- administered system is a means to enable the most basic needs to be met. Social security covers approximately 5 million beneficiaries every year. Its target are the most vulnerable members of our society namely the aged, persons with disabilities and children (Report on Social Development, 2000).

A number of innovative programs intended to generate income and capacity building programs have also been initiated. This is the direct result of a partnership between the Department of Agriculture in conjunction with Food and Agriculture Organisation (FAO) following the International Declaration on Food Security (Report on Social Development, 2000).

The new government also initiated an Integrated Nutrition Program through the Department of Health. Central to this Integrated Nutrition Program is the Primary School Nutrition Program whose objectives are:

- ❑ The prevention of hunger for primary school learners; and
- ❑ The creation of employment opportunities, the unemployed and the poor particularly women, to earn an income for their families.

In 1994 Community Water supply and Sanitation Program was started by the Department of Water Affairs and Forestry to ensure access to sufficient and clean water particularly in the rural areas. This program translated into more than 1020 projects. Through this government initiative about 3,5 million South Africans enjoyed access to basic water services in the period between 1994 and 1999 (Report on Social Development, 2000).

To transform the healthcare system to provide accessible healthcare services to all South Africans the Primary Health Care (PHC) and District Health System – the vehicle for the delivery of primary healthcare services in the country were developed. A program of clinic-building to ensure adequate access to health services in under-served areas was also initiated by government. A total of 204 new clinics were built in 1997; 38 of the old clinics received revamp; and about 53 mobile clinics were purchased (Report on Social Development, 2000).

To overcome this problem of have limited access to medical doctors within the public system by a number rural and urban informal settlements, a system of community service was



unveiled. As part of this system newly qualified doctors are required to do a mandatory one-year work in the public service prior to them taking up independent practice. Their skills are in this way accessed by the most disadvantaged communities. There is also a foreign donor program where foreign doctors from countries such as Cuba, the European Union and the United Nations Volunteer Program are brought into the country to provide health in the most needy areas of the country. This is done under Government-to-Government agreement (Report on Social Development, 2000).

To fight the apparently unrelenting tide of unemployment the government has also channeled a certain portion of the budget towards job creation programs and development projects managed by non-governmental organisations. About R3 billion of the Budget is directly linked to job creation programs and development projects managed by non-governmental organisations. This estimated portion of the budget covered and reflected in government's spending on municipal infrastructure programs, rural water supply and sanitation, work for water program, community based public works projects, income generation training for unemployed and welfare programs (Report on Social Development, 2000).

In October 1998 a Presidential Jobs Summit whose main concern was the creation of new employment opportunities in both the short and long term was held. The Summit identified means to improve the quality of existing employment opportunities, promote job security and formalize employment in the informal sector (Report on Social Development, 2000).

The department of Labour at the Job Summit held in 1998 also made a pledge of one day's wages to a special fund for job creation with the business sector contributing R1billion. The government is also spearheading the proposed introduction of a skills development levy of 0.5% to 1% which is expected to yield an estimated R1 billion for training and development in 2000, rocketing to about R2 billion in 2001. About 80% of this money is earmarked for education and training authorities nominated by employers, while 20% will go to a National Skills Fund. An Employment Strategy Framework adopted at the Presidential Jobs Summit was concluded in 1998 to provide an integrated approach to addressing the problem of structural unemployment. This was a product of social partnerships involving government, business and labour. The framework served as bedrock for a series of agreements; programs and projects whose aim was to encourage economic growth and employment creation (Report on Social Development, 2000).



Another innovation in the sphere of labour is the Skills Development Act, of 1998 and Skills Development Levies Act of 1999. In terms of the Act, the Skills Development Strategy as provided by the Act aimed to create an enabling environment, which specifically links more effective education and training in the workplace. It puts in place new institutions, financial arrangements and learning programs aimed at the following:

- developing the skills of the South African workforce;
- enhancing the levels of investment in education and training in the labour market and improving returns on investment;
- advancing for a use of the workplace as practical learning environ by employers where workers are motivated to participate in learnership and other skills-building programs;
- improvement through training and education of the chances of getting employment by the previously disadvantaged groups;
- empowering people needing work to find it while on the other hand equipping retrenched workers to re-enter the labour market and employers to find qualified employees (Report on Social Development, 2000).

In another move to achieving equality in all spheres of life particularly employment parliament passed the Employment Equity Act, which was implemented in mid-1999. This Act is meant to reinforce equality in the workplace. The Act provides for:

- Prohibition of discrimination, either directly or indirectly on the grounds of race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language or birth;
- Prevention of medical or psychological testing if not for a fair reason and if not properly executed;
- Promotion of employment equity by forcing employers to formulate employment equity plans; and
- Grouping of certain groups of people like Africans, Coloureds and Indians; women and people with disabilities for special attention in respect of employment opportunities and in the award of state contracts (Report on Social Development, 2000).

From 1994, there was also a collaboration between the Ministries of Education and Labour to establish the National Qualifications Framework which overseen by a statutory body in terms of the South African Qualifications Authority Act, 1995. The latter framework facilitates access,

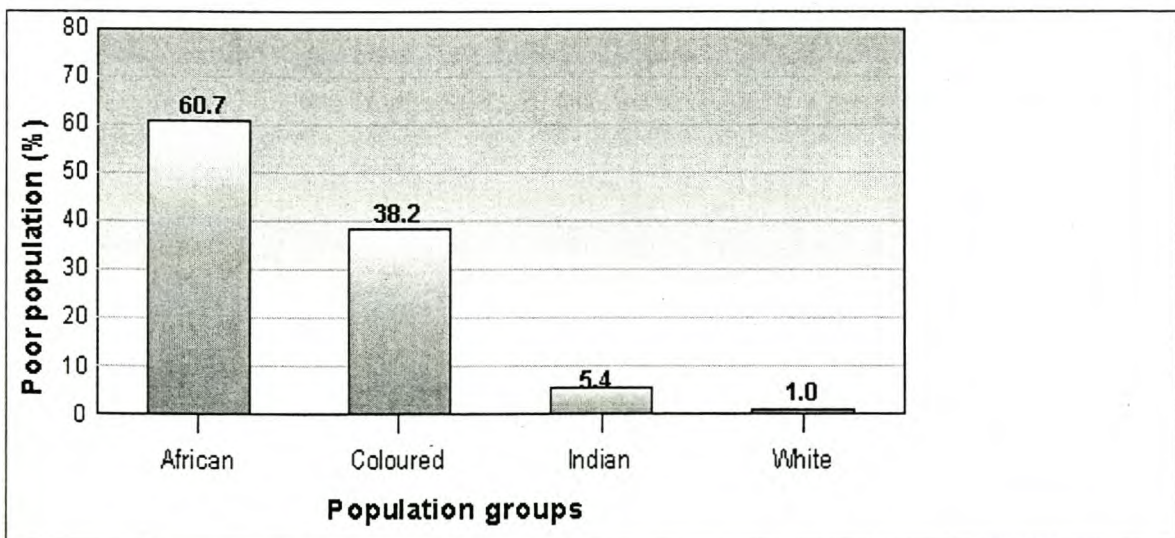


articulation and mobility for learners and workers across all areas of education and training, while at the same time building capacity for improved standards and quality assurance in the learning system (Report on Social Development, 2000).

Despite all these government initiatives towards the inequality problem, the data on the socio-economic situation does not give a desirable picture at all. According the 1998 Poverty and Inequality Report, about 18 million people live in those households, which constitute the poorest 40 per cent and are thus defined as poor. About 10 million people are said to live in the poorest 20 per cent of households and are thus classified as 'ultra poor'. Most of the poor are said to be concentrated in rural areas. The poverty rate in rural is estimated at around 70 per cent compared with the 30 per cent in urban areas. While poverty is said not to be confined to any one specific race group, it is actually concentrated among blacks, especially the so-called African population as opposed to the white group (May, 1998).

The Poverty and Inequality Report shows that 61 per cent of Africans and 38 per cent of Coloureds are poor compared to 1 per cent of Whites and 5 per cent of Indians. It also shows a huge concentration of poverty rate to female – headed households as opposed to those headed by men.

#### **Poverty rate by population group**



**Source:** May, J. 1998. *Poverty and Inequality in South Africa*



Income inequality is also another area where apartheid past has left an unenviable legacy. Though South Africa is the dominant force in the Southern African region, and in global terms is a middle-income country, its degree of income inequality, which significantly divides the nation into a rich white minority and a poor black majority ranks South Africa among the highest unequal countries in the world over. For a long time, seemingly, South Africa has been recording highest in terms of its Gini coefficient. Gini coefficient uses the value of between zero and one to measure equal or unequal distribution of income. The bigger the number, the more inequality exists. The converse is also true. The 1998 Poverty and Inequality report placed the South Africa's Gini coefficient at 0.58. This is remarkably high, indicating a very skew distribution of income among different race groups by comparison to countries such as Sri Lanka and Indonesia both of which have a Gini coefficient of about 0.31, which shows that these countries have a far more equitable distribution of income (May, 1998).

The uneven distribution of income in South Africa translates into an undesirable situation where destitution; hunger and overcrowding co-exist with affluence. The experience of about half of South Africa's population is that of poverty or of continued vulnerability to becoming poor (Woolard and Barberton, 2001). In the region of about 50 per cent of South Africans live in poor households with earnings of about R352.53 monthly per adult. About 61 per cent of Africans are poor when compared to 1 per cent of Whites. Furthermore, the whites constitute a big chunk, about 65 per cent of those in top income group, with coloureds and blacks making 17 and 10 per cent respectively (The politics briefing, 2001).

The state of inequality when it comes to income distribution is said to be largely related to the type of economic development under apartheid. Although, to a certain extent, that is still the case nowadays, under apartheid, population group was one of the most determinants of an individual's income. However, with the fast disappearance of the legal and formal constraints, in the new post-apartheid dispensation, a sizeable number of black people, though not everyone, has been able to access income compared to the past dispensations. Its experience of jobless growth, as a consequence of trade liberalization and global competition, financial turmoil in emerging markets, scarcity of human resources, and structural weaknesses in the South African economy have worsened a number of negative social trends. These negative social trends include serious disparities. The latter are no longer only between black and white, but also between the new black middle-class and a poor uneducated mass, and between urban and rural households (Global Village, 1999).



This has drastically affected the nature of intra-racial income distribution. That is income distribution within each of the different racial groups making the South African population. The result is that inequality within African race group has risen substantially. Within the African group, the Gini coefficient is at 0.54, nearly as high as the national figure. This is higher than it was in 1994 (May, 1998).

A study on income distribution between 1991 and 1996 conducted by economic consultancy WEFA Southern Africa has shown that the rich continued to get richer, while the poor lost further ground, especially within the black community despite general improvement by the latter in terms of income gains. This gulf between South Africa's rich and poor is said to have widened and become more pronounced within the black community particularly since the first democratic elections in 1994 (Business Day, 2000.p10). A more positive explanation for this phenomenon, though, is that it reflects the fact that more African people have been able to access higher-paying positions over the last few years (Budlender, 2001).

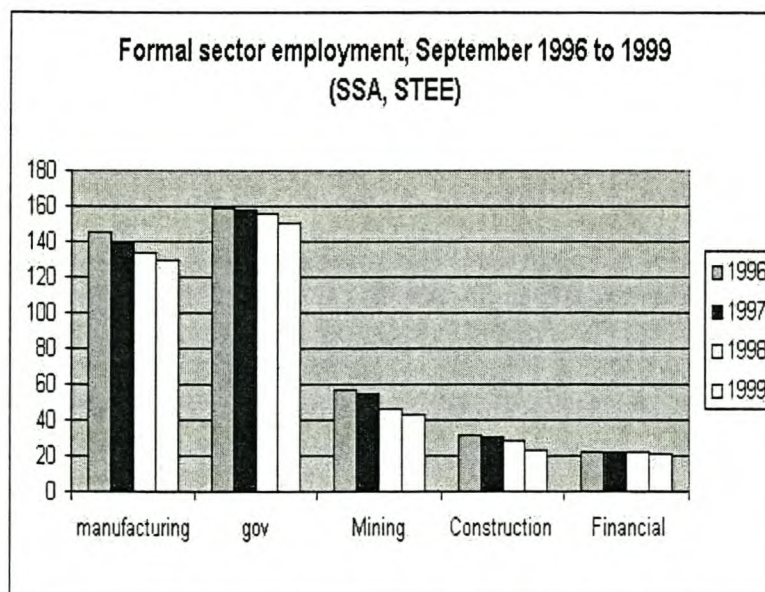
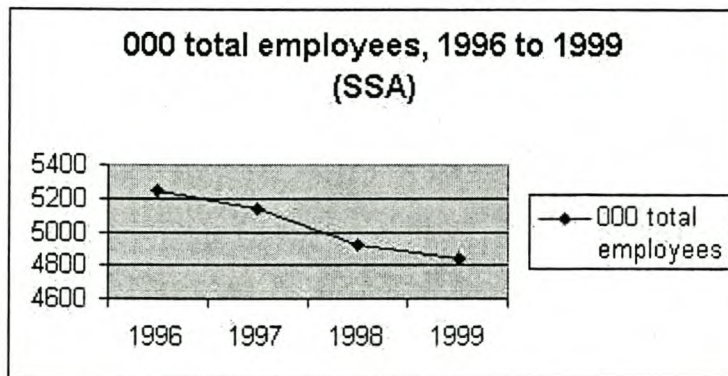
The use of income shares in total income of groups of households arranged in order of income level also shows that the poorest 40 per cent of households receive only 11 per cent of the total income. This is in sharp contrast to the richest 10 per cent of households, which receives over 40 per cent of the total income. Inequality of income distribution between races is considerable, and accounts for 37 per cent of the total income inequality (May, 1998).

Unemployment and the consequent wage-disparity are one of the clear indicators of inequality. Unemployment rates are the highest among Africans, in rural areas, among women and the youth, and among those with no previous work experience. South Africa has seen a steady rise in unemployment during the 1980's and 1990's. The explanation for this unfortunate phenomenon is that it is, in part, a reflection of the restructuring of the South African economy that dates back to the 1970's and 1980's. During this time employment particularly in the so-called primary sectors such as mining and agriculture dropped remarkably. This is coupled with the failure of the other sectors of the economy to create jobs as well. Since 1993, the South African economy has, however, grown modestly, inflation has decreased markedly, non-gold exports have increased and private sector investment has risen. It has done particularly so if compared with the contractions of the early 1980's and early 1990's. The economy contracted in the years 1982, 1983, 1985 and 1990 to 1992. However, the transition to democracy injected



a major boost in the economy, with positive growth rates registered between 1993 and 1996 (Nedlac, 2001).

Despite the fact that the economy had registered modest growth, the rate of unemployment has continued to rise, nonetheless. This is partly because the rates of economic growth have produced only small numbers of new jobs. Given the few number of job intake to the labour market, this has meant that an overall increase in the rate of unemployment.



Source: Nedlac. 2001. *Social and Development in South Africa- 2000: Growth and employment*

This is exactly the reason that the economic growth of the last few years has been dubbed "jobless growth"(Nedlac, 2001). Other reasons to this phenomenon relate to policies, which decreased the cost of capital relative to labour thereby encouraged more capital intensive production, and thus increasing demand for skilled rather than unskilled labour. The rising cost



of unskilled labour in the formal sector due to increasing unionization and labour markets regulation. Apartheid spatial policies which increased the difficulty and cost of job-seeking by those living in remote areas, and investment in education, which limits the opportunities open to many of the unemployed (May, 1998).

### 3.1.2 The economy

Following the historic April 1994 elections, the benchmark for the new government's economic and social policies and initiatives was entailed in the Reconstruction and Development Program better known better as the RDP. In other words the Reconstruction Development Programme was the primary vehicle chosen by the new Government of National Unity (GNU) to address the challenge of the inequality problem (Blumenfeld, 1996:02). This was said to have been in line with the ANC-led GNU's frequently expressed commitment to reducing poverty as its top priority. RDP therefore effectively constituted the GNU's yardstick for socio-economic transformation.

The RDP roots dated back to the pre-national election epoch in the mass democratic movement (Blake, 1998:48). It first emerged as the election manifesto of the ANC Alliance and subsequently became the centrepiece of the GNU's policy programme for socio-economic transformation (Blumenfeld, 1999:40). The real impetus for the RDP is said to have emanated from the COSATU, which fought the April 1994, election in alliance with the ANC and SACP. According to Jesmond Blumenfeld (1996:02), 'COSATU demanded a pact committing the ANC-led government to policies that would fundamentally transform the economy, polity and society of South Africa. Leading up to the general 1994 election, the democratic movement in South Africa, headed by the ANC, then released a document entitled "*The Reconstruction and Development Programme – A policy framework*" as part of its main policy platform and election manifesto (Adelzadeh, 1996:66).

The latter was essentially a base document outlining the aims and principles rather than the details of the RDP. After the 1994 general election, the GNU then approved the release of much more detailed White Paper known as *RDP White Paper*. It was this White Paper that provided the basis of RDP policies, which were approved and were being implemented by the GNU. This RDP White Paper replaced the broad 'Keynesian thrust of the RDP Base with a neo-liberal framework. It down-played redistribution through state intervention and emphasised fiscal austerity (Adelzadeh, 1996). Despite this apparent shift, all parties in the GNU parliament



embraced it as the primary vehicle through which challenges of poverty and unemployment could be dealt with. It therefore provided a broad framework for socio-economic reform in South Africa (Cameron, 1996:231).

The RDP was explained as an integrated, coherent socio-economic framework that committed the ANC-led GNU government to meeting the basic needs of people. It was a project that had undergone a great deal of grassroots consultation. It was people-driven and called for the vigorous civil society intervention in social development. It indeed gave the idea of participatory democracy full expression. Though, to a certain extent, it was viewed as the property of the ANC Alliance, the RDP was generally embraced by all political parties, big business, the media and other influential sections of the South African society (Blake, 1998:43).

The RDP accentuated two principal aims namely the alleviation of poverty and the reconstruction of the economy. The drafters of the RDP were of the opinion that the two were intertwined. They argued that balanced economic growth without the simultaneous promotion of economic development would be impossible. They believed that policies concentrated purely on promoting growth would only further reinforce existing inequalities and perpetuate mass poverty, and these would inevitably stall growth. In the light of such a possibility the GNU government insisted that the RDP should play a more enabling role in integrating growth with economic reconstruction and social development (Lodge, 1991:27).

The RDP endeavored to integrate development, reconstruction, redistribution and reconciliation into a unified programme. It attempted to meet basic needs and open up previously suppressed economic and human potential in urban and rural areas. It was intended to be a vision for the fundamental transformation of the South African society. It was the major socio-economic policy of the GNU. It was meant to be the socio-economic miracle after the so-called 'political miracle'. Its drafters wanted to create an environment of a win-win pattern of economic growth that favoured those who were previously disadvantaged without impacting negatively on the overall performance of the economy (Blake, 1998:43). It was intended to act as a vehicle for reconciling the demands of those who recognised the need for policies that would promote rapid economic growth together with those who saw an equally urgent need for more redistributive policies (Spence, 1999:460).



The RDP White paper acknowledged the fact that the GNU had inherited an economy characterised by a number of structural problems that must be corrected to expedite economic growth and a more equitable distribution of the benefits of such growth. RDP White paper saw reconstruction and development being achieved through the leading and enabling role of the state, a thriving private sector and active involvement by all sectors of civil society. It thus gave the GNU leadership role to bring about reform and readdress structural reforms. In doing so though the GNU would be guided by the basic principles of the RDP - a people-driven approach, reconciliation, democratisation and creating an enabling environment for the private sector to grow and increase the level of participation in viable economic activity by all people (RDP White Paper, 1994).

The overriding economic goal of the GNU for reconstruction and development was to meet the social and economic needs of the people and to create a strong, dynamic and balanced economy, which would:

- ❑ create jobs that are sustainable, and increase the ability of the economy to absorb new job-seekers in both the formal and less formal sectors;
- ❑ alleviate the poverty, low wages and extreme inequalities in wages and wealth generated by the apartheid system, meet basic needs, and thus ensure that every South African has a decent living standard and economic security;
- ❑ address economic imbalances and structural problems in industry, trade, commerce, mining, agriculture, finance and labour markets;
- ❑ integrate into the world economy utilizing the growing home base in a manner that sustains a viable and efficient domestic manufacturing capacity, and increases the country's potential to export manufactured products;
- ❑ address economic imbalances and uneven development within and between South Africa's regions;
- ❑ ensure that no one suffered discrimination in hiring, promotion or training on the basis of race or gender;
- ❑ develop the human resource capacity of all South Africans so the economy achieved high skills and wages; and
- ❑ democratize the economy and empower the historically oppressed, particularly the workers and their organisations, by encouraging broader participation in decisions about the economy in both the private and public sector create productive employment opportunities at a living wage for all South Africans (Direct quotation – RDP White Paper, 1994)..



The RDP White paper recognised the interconnection and the necessity of meeting basic needs, developing human resources, building the economy and democratizing the state and society. To address South Africa's problems the economic policy strategy of the RDP White paper espoused the following:

- financial and monetary discipline in order to finance the RDP, reprioritize public sector activity, and facilitate industrial restructuring and the establishment of fair and equitable user charges;
- the establishment of an economic environment conducive to economic growth;
- trade and industry policies designed to foster a greater outward orientation so as to sustain high employment levels and levels of participation in the economy;
- a modernisation of human resource programmes to meet the challenges of changing production processes; and
- a reform of labour market institutions in order to facilitate effective and equitable collective bargaining and restructuring of employment patterns (RDP White Paper, 1994).

Success in the aforementioned areas would effect structural changes in the economy that would in turn lead to sustainable growth, viable employment creation and a movement to full employment. It was also going to increase greater participation in the economy thus leading to reduced income disparities, and a labour market characterised by effective collective bargaining, an equitable system of rights, active policies to address employment patterns, and stability (RDP White, 1994).

RDP White paper highlighted employment creation as the central priority. The focal point of the RDP was, among other things, to fight the rising tide of the unemployment and poverty by boosting production and household income through job creation; productivity and efficiency; improving conditions of employment and creating opportunities for all to sustain themselves through productive activity (May, 1998). It pushed for the reversal of the low levels of investment and saving, the outward flow of capital and general improvement of the environment for productive investment. It accentuated greater participation in the economy and the less concentration in the existing ownership patterns to be more racially inclusive and that greater role for small, medium and micro enterprises in the economic activity (RDP White Paper, 1994).



Synonymous with the general politics of the South African society, the RDP had been given different meanings by different people. The left as represented by the COSATU and SACP leaders, thought of the RDP as symbolizing an important departure with the dreaded policies of the past and selectively accentuated only those properties of the RDP which required the economic value of certain types of state intervention in the economic sphere. This seemed contrary to the government's understanding of the RDP in the 1994. RDP White Paper which was less populist. The government seemed to understand the RDP to mean committing and restricting itself to the growth of the public sector as well as endorsing privatization (Lodge, 1999:30).

The RDP despite its advancement of popular concerns, sharply differed from the Freedom Charter's approach to socio-economic solution as suggested and pushed for by the Cosatu and SACP. Unlike Freedom Charter, it did not emphasize wholesale nationalisation of the economy, though it did not rule it out. The RDP was committed to a mixed economy, with both the public and private sectors being accommodated. This apparent move away from the nationalizing approach of the Freedom Charter is attributed to World Bank, IMF, and the General Agreement on Trade and Tariffs (GATT) which promoted the neo-liberal approach to economic policy dating back in the 1980's. GATT committed the South Africa to comprehensive reductions in industrial protectionism. The RDP in contrast to the Freedom Charter symbolized a significant 'concession to vested economic interest in South Africa (Blake, 1998:42-43).

To ensure the effective and succesful implementation of the RDP, the GNU committed itself to the transformation of the way in which the government itself operated. The RDP White Paper envisaged that every office of government, from the smallest village council to the largest national department, would be restructured to take the RDP forward (RDP White Paper, 1994:12). At national level, the RDP Ministry was set under the Minister without Portfolio, Jay Naidoo, and located in the President's office. The national set the broad objectives of the RDP and, together with provincial and local governments facilitated its implementation at provincial and local level (Cameron, 1996:232).

The RDP office in the presidency was only meant to be responsible for the effective and succesful of the process. It was never meant to function as an implementation agency. The RDP office's chief concern was that of acting as instrument of strategic change within the office of the president. Through the Presidential Lead Projects, the RDP Fund was also set up to



leverage reprioritization in the departmental budgets and the initiation of certain programmes targeted specifically at those considered poor (Woolard and Barberton, 1998:36). The following structures, among a host of others, were selected and given the task of facilitating and coordinating the RDP: *Special Cabinet Committee on the RDP; Core Committee on the RDP; Standing Committee on the RDP; Intergovernmental Forum; Ministerial Forum and Interdepartmental Task Teams* (RDP White Paper, 1994:16).

In line with its socio-economic and redistributive objectives, the RDP aimed to provide: 10 years of compulsory education for all school-goers; one million low-cost houses between 1994 and 1999; electricity for 2.5 million households by the year 2001; clean water and adequate sanitation to one million households. It is also aimed at improved and affordable health system, particularly preventative and primary health care for all; and a substantial 30 per cent redistribution of agricultural land to the landless and small-scale black farmers in rural areas within five years; and create 2.5 million jobs in 10 years. It also planned to restructure the state institutions to reflect the racial and gender composition of the South African society (RDP White Paper, 1994).

The money for all this was to be provided for through the RDP Fund, which was established in terms of the RDP Fund Act of 1994 and was administered by the Minister of Finance. The RDP Fund was constituted of monies from diverse sources. They included portions from the national 1994/5 and 1995/6 budgets; international and domestic grant aid; interests earned from the investment of money in accounts; proceeds from the sale of state assets; revenue from lotteries and gambling; and redirected funds by local governments. The allocation was solely under the control of the Minister without Portfolio (RDP White Paper, 1994:16-17).

All the collected or received funds or resources would then be distributed by the RDP Office to various state departments, only to the extent to which they conform to the RDP vision (Cameron, 1996:233).

Key also among policy measures used by the Mandela government to deal with poverty and inequalities was the affirmative action, more particularly in the appointment of people to the public sector. Thabo Mbeki in 1995 while the Deputy President gave the government's understanding of affirmative action – *"By affirmative action we understand a process which would inter alia focus on the preparation of disadvantaged majority to catch up with its*



*advantaged compatriots. Among other things this must mean the creation of possibilities for that majority to obtain such education and training as would give them the capacity to compete for jobs as directors-general in the public service, as University professors, as judges, as generals in the National Defense Force and so on" (CDE, 1999:141).*

The RDP was explicit in as far as affirmative action. It favoured a quota system for employment in the public sector. Consequently supporters of the new regime replaced old government's personnel. This soon became apparent in the appointment and promotion of public servants. This idea of affirmative action did not come up by accident. On coming to power in 1994 had insisted that 'political liberation' should be followed by 'economic liberation'. This meant that blacks should benefit from affirmative action in employment, government contracts and privatization. This government initiative of black empowerment was aimed at creation of large black-owned businesses. This was evident in the establishment of a number of black-controlled investment consortia. The latter had gained stakes in a number of South Africa's biggest corporations such as South African Breweries; Times Media; PO Holdings; and Metropolitan Life (insurance). The government also passed quota-based affirmative action legislation in the awarding of government contracts, licenses and privatization schemes. Companies thought to have a substantial black ownership were awarded a 15 per cent price advantage when bidding for public contracts (Slaughter, 1999).

CDE (1999:141), however, challenges the government's true intentions as regards affirmative action. It argues that it was not a strategy to deal with poverty. It further maintains that only individuals with their nuclear families benefit from affirmative without any 'trickle down effect' to everybody. CDE charges that the true objective and focus of the affirmative action was on the needs of the aspiring better-off in the disadvantaged group rather than the poor. They allege that policy thrust of affirmative action was speeding up the promotion of a class of individuals who would have been the beneficiaries of the deracialising South Africa.

The evaluation of the RDP in terms of its socio-economic goals reveals interesting statistics. With regard to primary health care, by 1999, 8.5 million patients had been treated in new clinics since 1994. More than 500 new or upgraded clinics were operational every week in 1997. More than 68 000 people had been settled on 220 000 hectares of farming land compared to the 30 per cent redistribution of the commercial envisaged by the RDP goal, by 1999. In terms of housing, between 1994 and 1999 about 600 000 cheap eligible for government subsidy had



been built or were under construction. About 250 000 were said to be completed already during that period. According to the Minister of Water affairs, Kader Asmal more than 2.5 million people had been given access to fresh safe water for the very first time (The Star, 25 August. 1998). With regard to electrification, by 1997 since 1994, 1.4 million homes were connected to the national grid. In 1998 alone, 420 000 homes were connected (Lodge, 1999:32).

Despite the modest progress made around the electrification of houses, improvements in the provision of water supplies, and the primary school feeding programme, little real progress had been made towards meeting the first year targets, especially in the crucially important area of housing. Progress within the special RDP Fund was painfully slow. It is said that of the R2.5 billion rand allocated to the RDP Fund and the R2.8 billion approved for spending in 1994/95, only R1.1 billion was transferred to the relevant spending departments, and not all of this was actually spent. By the end of the GNU's first year in office, practical and political problems were also apparently creating difficulties for the fine implementation of the RDP. The latter had serious logistical and coordination difficulties within the line ministries responsible for implementing it (Blumenfeld, 1996:5-6).

Mandela's concern and obsession with the big picture as opposed with developing a detailed economic policy in particular during his presidential era is largely blamed for producing little for economic growth and inequality reduction (Friedman, 1999:14).

At the end of March 1996, Mandela announced the closure of the RDP Office, and Jay Naidoo's reassignment. The RDP ministry was then incorporated into the office of Deputy President Thabo Mbeki where a new cabinet committee, chaired by Deputy President Thabo Mbeki, was established (Habib et al, 1998:105).

### 3.2 Policy trends under Thabo Mbeki

#### 3.2.1 Race and inequality

Following the 1999 general elections, South Africa witnessed a change in the Presidency. Thabo Mbeki became the second President of the new South Africa. Unlike his predecessor who is a Freedom Charterist, Mbeki is on contrary an Africanist of a special kind with strong propensity for pan-Africanism derived from the pan-Africanist movement - the brain child of Afro-American intellectuals; and the vision of a united Africa. He is however a kind of Africanist



that pushes for a capitalist agenda though comfortable with moderate socialism (Friedman, 1999:04). Under his presidency, Africanist and Black Consciousness (BC) ideas and intellectuals have been absorbed in the government ranks and into the class of business leaders (Friedman, 1999:04).

Unlike Mandela who downplayed racism, Mbeki seems determined to pursue the struggle against racism. He defined South Africa as consisting of two nations: black and poor; and white and rich. Mbeki strongly believes that one of the ANC's central tasks throughout decades – that is of the defeat and elimination of racism in our country must continue. He says that even though, certain changes have taken place such as the movement of black people out of township houses into suburban residences, racism still continues to be a defining feature of the new South Africa (GCIS, 1999).

To that effect Mbeki has already announced two conferences focussing predominantly on racism, one by South African Human Rights Commission and the other by the United Nations' Human Rights Commission in 2000 and 2001 respectively. The aim of these conferences is said to be mainly fast tracking South Africa's movement towards eradication of racism. The conferences are also made to be viewed as a token of South Africa's commitment to the struggle for non-racialism (Chothia, 2000).

Mbeki is also very vocal about the racial divides shaping the socio-economic inequalities. He is very critical of, among many other things, the fact that the media industry for example is still largely white-controlled and that the economic power is still held by the whites (Jacobs, et al, 2001). For Mbeki, only when transformation has been effected will true and permanent reconciliation be possible and South Africans will cease to define themselves in politics and economics in terms of race, colour and ethnicity (Welsh, 1999:12).

In 1996 outlining the shift in priorities he anticipated putting in place once Mandela's power had finally come an end, Mbeki wrote a speech based on a document entitled *Strategy and Tactics*. The speech declared that the ANC would no longer be content to minister primarily to the fears and needs of Whites and the privileged but would now focus on the organization's black constituents. The speech continued to say that the rhetoric of reconciliation of 1994 had to be replaced with the actual transformation of society. Thabo thus committed himself to the



political, economic and social emancipation of the black majority (Hadland and Rantao, 1999:97).

Again in his "*I am an African*" speech in 1998, Mbeki described South Africa as a no longer a country of a single nation as it is neither becoming one. He described it as a country of two nations, namely rich white minority regardless of gender or geographical dispersal on the one hand and poor black majority with the worst affected being women in the rural areas, the black rural population in general and the disabled on the other hand. Nation-building in South Africa, according to Mbeki, would therefore result from the abolition of disparities in the quality of life among South Africans based on the racial, gender and geographical inequalities inherited from the past (Hadland and Rantao, 1999:187-188).

Mbeki believes that a critical part of the fight against racism, to realise the prescription in our Constitution, to create a non-racial society, is the deracialisation of the ownership of productive property in our country. Mbeki strongly maintains that, as part of our continuing struggle to wipe out the legacy of racism, everything must be done to ensure that there emerges a black capitalist class, whose presence within the South African economy and society will be part of the process of the deracialisation of the economy and society. Mbeki justifies his choice of the black capitalist class in particular by saying that our society is a capitalist society and therefore the goal of deracialisation needs to be addressed within the context of the property relations characteristic of a capitalist economy. Mbeki strongly advances that the role of government must be to give aid to those among the black people who require aid in order to become entrepreneurs (GCIS, 1999).

Mbeki's frankness regarding race-related issues has ignited a perception of increased reracialisation of government politics during Mbeki's presidential reign. This is however said to not be an indication of the fact that the ruling-ANC has abandoned its official stance on non-racialism. It is only that race has become more of an issue (Adam, 2000:04). This perception is also strengthened by the fact on Mbeki's ascent to presidency, all Ministerial posts went back to blacks – though not all Africans. This has also raised fears that he was fuelling a populist faction in the ANC whose main focus was only on the indigenous population – the so-called 'Black-blacks' at the expense of minorities (Hamill, 1998:775). The Black-blacks is group within the ANC that draws much from the Africanist and black consciousness (BC) traditions. It exerts considerable intellectual influence and is very critical of non-racialism (Friedman, 1999:04).



Adam (2000:04) says 'ideological credentials of an impressive struggle record are now easily overridden by ethnicity'. He charges that 'too many whites in government bodies, university administrations or media boards present a poor image, even if the incumbents have superior expertise or progressive commitments'. He says 'many an appointment in the public sector would rather be filled by a conservative or opportunistic black candidate than a proven white activist'. He claims that 'white past strugglers are now feeling marginalised among the many ambitious blacks who claim privilege as a matter of past dispossession rather than a record of struggles'.

Mbeki's focus on race or racism goes against the recent findings of the researched conducted by South Africa Institute of Race Relations. The research has found that nearly half of South Africans feel that race relations have improved in contrast to the 25 per cent that feel that they have deteriorated. The research has also found that ordinary citizens are aware of the other factors in the complexity of the causes of poverty and disadvantage (Schlemmer, 2001).

In terms of the inequality problem, Mbeki's faith is on the economy and the creation of a black business class. Much of this is discussed in depth under his approach to the economy.

### 3.2.2 Economy

Many believe that, while public service reform is crucial to Mbeki's ability to govern, it is actually the formulation and implementation of economic policy that is the make-or-break of his presidency. This means therefore that the economy and improving the livelihoods of the people are the defining needs. While Mandela's presidency was about reconciliation, Mbeki's was always going to be about the economy and its success. This is more true in the light of the fact that Mbeki is an economist by academic qualification with a Masters degree in economics from the University of Sussex (Hadland and Rantao, 1999:139).

It comes therefore as no surprise to note that Mbeki, as opposed to his predecessor who had no specific and clearly defined macro-economic policy, has decided to opt for a more market-driven economic approach, as clearly illustrated by GEAR and privatization, black economic empowerment, through the National Empowerment Fund - one of the mechanism driving black economic empowerment. The economic policy enunciated in the Growth, Employment and Redistribution Strategy (GEAR) is set to continue being the cornerstone of the Mbeki's



government' economic approach in dealing with the country's economy in the years to come while the Reconstruction and Development Programme (RDP) is said will remain the long-term policy framework to build a better life (Pahad, 1999). The government under Thabo Mbeki also appears more determined to promote black economic empowerment and make it work than the previous Mandela government (Horton et al, 1998:20).

Growth Employment and Redistribution (GEAR) is key to Mbeki's transformation and delivery plan. Mbeki, among other people like the Minister of Finance, Trevor Manuel, is widely credited for the GEAR strategy for his role in its formulation. Although Mandela was still president during the adoption of GEAR, Thabo Mbeki as deputy president was the driving force. It is strongly doubted that GEAR would have been tabled and not in the way it was, without Mbeki's approval of it (Horton et al, 1998:20).

As if trying to put his approval and association with GEAR beyond any measure of doubt, in his opening speech in Parliament in June 1999, Mbeki gave an indication of his government's macro-economic policy. In that speech he revealed his undiluted embrace of GEAR. The neo-liberal philosophy of "trickle-down economics" underscored his opening speech. Prominent in his opening speech was what he said was the urgent need by his government to deal with impediments to investment and job creation. He announced possible changes to labour legislation, namely Basic Conditions of Employment Act, and Labour Relations Act and Insolvency, scheduled to happen during the 2000 parliamentary session. He also announced his government's intention of targeting a lower inflation by the end of the year; intensification of public-private partnerships for economic growth; and accelerated privatization. Finally, he announced the establishment of the International Investment Council to advise government on creating growth and investment (The politics briefing, 2000).

GEAR, a market-friendly macro-economic strategy was adopted by the government in June 1996, in part as a response to the growing pressures from economic realities. Its adoption put an end to period of uncertainty. It followed a number of months of currency volatility (the 25% crash of the rand). GEAR emerged against the backdrop of a 'free fall' of rand. The real exchange rate had also fallen in the region of about 17 per cent between January and December 1996, and was 8.3 per cent lower on average in 1996 than in 1995 (Bond, 1996:23).



GEAR was adopted in part as a means of achieve macro-economic stability. It is also an economic reform program whose goal is to create a competitive and fast-growing economy that in turn generates sufficient jobs for all job seekers; a redistribution of income and opportunities favouring those considered poor. It seeks to create a society capable of ensuring that health, education and other services are available to all; and safe environments and places of work that are productive (Report on Social Development, 2000).

GEAR is based on the understanding that economic growth and the creation of employment are necessary for reducing poverty and inequality. Economic growth is particularly recognized as a necessary condition for employment creation and poverty reduction. GEAR considers private investment as the to such an economic growth(Woolard and Barberton, 1998:36).

GEAR contends that expenditure has a limited role in redistribution and that this should rather happen through creation of private sector employment. It not only proposes economic growth but the kind of growth that can create large numbers of jobs. This is however criticized by Barberton and Woolard (1998:37) on the basis that investment-led growth often benefits urban, educated and experienced people.

GEAR's adoption by government was of critical significance, both politically and economically. Its adoption shows not only the government's embrace of market-imposed criteria for the evaluation of its macro-economic policy, but also 'eschewal' of persistent calls from its radical constituencies for more populist measures (Blumenfeld, 1999:43). According to Adam Habib and Rupert Taylor (1999:265) GEAR was adopted by the Cabinet without adequate consultation with constituencies in the African National Congress or corporatist institutions. The government's adoption of GEAR in June 1996 has provoked serious discontent and created enormous strains within the Tripartite Alliance. It is criticized as being "Thatcherite" (Hadland and Rantao, 1999:140). As a result thereof, at the sixth annual conference of COSATU in September 1997, for example, delegates from the National Union of Metalworkers went so far as to call upon COSATU to re-examine its ties with the ANC. Again in 1998, at the SACP's National Congress, COSATU and the SACP openly opposed GEAR (Habib and Taylor, 1999:266). Objections to GEAR have also come from provincial premiers too, who have registered complaint about the belt-tightening measures that they have been compelled to endure. There has also been pressure coming from opposition parties who criticize GEAR for not going far enough (Hadland and Rantao, 1999:140).



The adoption of GEAR was preceded by two major policy documents namely, *Social Equity and job creation: The key to stable* in February 1996 and *future Growth for all: an economic strategy for South Africa* which was also released in 1996 (Maganya, 1996:08). In February 1996, through its policy document called *Social Equity and job creation: The key to stable future*, the South African Foundation, a lobby for big business, presented its growth strategy suggesting that a speedy and concerted effort in five key areas namely legislation, macro-economic policy, government, markets and foreign trade and investment. The document was critical of the government for what they called 'piecemeal' approach to market. It argued that the post-election benefits and 'cyclical' economic forces accounted for much of the economic recovery, therefore suggested drastic and substantial reforms in five key areas namely legislation, macro-economic policy, government, markets and foreign trade and investment (HSRC a, 2001:2).

The big business subscribed to the neo-liberal view that investor confidence linked with improving growth in GDP and employment could only be boosted through such measures as taking a firm action against crime, and sharply reducing the budget deficit through government expenditure. Not only that but also through privatization of state-owned enterprises, the creation of a flexible labour market system, stimulation of exports through the flexible labour market policy, through an exchange rate that makes South Africa competitive internationally. Finally, through reform of the tax system, including lower corporate taxes, and simplification and increased efficiency in collection' (HSRC a, 2001:2-3).

In April 1996, in response to the South African Foundation's Growth for all document, Union movement as represented by COSATU, the National Council of Trade Unions (NACTU) and the Federation of Salaried Staff (FEDSAL) emerged with its policy document called *Social equity and job creation* (Future Growth for all: an economic strategy for South Africa). The document was very critical of the big business what it considered its undermining of the national consensus on economic development (HSRC a, 2001:2-3). Drawing much on the proposals, the document laid stress on job creation and social equity and favoring a more interventionist policy with concentration on the demand side. The Union movement reasoned that attaining the latter would only be possible if there was a job creation strategy and through public works, housing programmes, demand expansion, training and land reform. Moreover, the Union movement also called for a redistributive strategy targeting poverty alleviation and providing basic needs by increasing taxation of corporations and of those high-income



individuals, coupled with a reduction of value added tax on necessities consumed by the poor. It further suggested an anti-trust legislation to discourage monopolies thus reverse concentration tendencies, while also advancing for measures to promote worker rights and industrial democracy (HSRC a, 2001:2-3).

Unlike the union's demand-side growth strategy, the government, like big business, through its long-awaited GEAR strategy opted and focussed more on supply-side measures that were intended to be catalysts for private investment by emphasizing policies that would be conducive to macro-economic balance and a stable policy environment. This, the government hoped, would arise, by and large, from tightening of fiscal policy and a drastic reduction of the budget deficit; the privatization of state assets; a change in the labour market system to allow increased wage flexibility; tax incentives and support to small and medium-scale enterprises; increased tariff reduction, maintaining a real exchange rate at a level that will ensure international competitiveness and strengthening competition policy (May, 1998:53).

GEAR strategy was also the government's response to the socio-economic challenge. It was a significant adjustment of government's earlier socio-economic response as represented by the RDP. It symbolized a significant shift that the ANC's economic policy had gone through since Mandela's call for nationalisation at the time of his release (Habib et al, 1998:105). While GEAR reaffirmed government's commitment to the then existing economic policy framework, it, however, pointed out its structural deficiencies that were considered to be culprits in stalling economic growth and employment. To deal with these structural deficiencies, GEAR then proposed some reforms based on market-based policy measures. These measures were drawn on three themes namely improved macro-economic balance; increased openness to international flows of goods and capital; and greater liberalization of markets (Blumenfeld, 1999:41).

The neo-liberal philosophy of "trickle down economics" defined GEAR. GEAR was premised on the recognition that sustained reduction in inequality called for increased job creation, which in turn required structural transformation in order to attain higher and more labour absorbing growth within the economy. It indicated government's intention to help increase the outward orientation of the economy, boost investment, and increase the demand for labour (May, 1998:53).



GEAR obliged government to carry out a range of policy measures that were said would lead to quick and sustainable growth and to creation of thousands of new jobs. It set a range of targets to be attained by the year 2000. Those targets are as follow:

- ❑ A GDP growth of 6 per cent per annum;
- ❑ Creation of more than 1.3 million new 'formal sector' jobs outside agriculture;
- ❑ A fiscal deficit/GDP ratio of 3 per cent;
- ❑ A rise in gross domestic savings from 17 per cent of GDP to more than 21 per cent in 2000;
- ❑ 11 per cent per annum average growth in real manufactured exports; and
- ❑ 12 per cent per annum average growth rate of real investment (Blumenfeld, 1999).

These targets were to be achieved through a wide range of macro and microeconomic policies. These policies included a cost reducing investment incentives that would eliminate discrimination between domestic and foreign investors; tariff reductions; and maintenance of a stable real exchange rate. This would be coupled by a reduction in public sector employment from 1.2 million to 900 000 employees over three years; and budgetary reforms, including a new medium-term framework for budgetary planning; relaxation of exchange controls as circumstances permitted. A national social agreement between labour, government and business were to be negotiated to ensure that the competitive benefits of the earlier depreciation of the currency were not dissipated by a vicious circle of wage and price increases (Blumenfeld, 1999:43). It was hoped that this would, in turn, lead to job creation and in that way address the question of poverty, especially the abject rural poverty (The politics briefing, 2000).

To date GEAR has enjoyed some reasonable success in facilitating economic stability by improving the overall performance of the economy and in laying the foundation for enhanced investor confidence. It has helped to stabilize the economy in the face of the international economic turmoil in 1998 (Chapter 2, gov report). GEAR has also been reasonably successful in maintaining severe fiscal discipline at the budgetary level, not necessarily the implementation level (Blumenfeld, 1999:44).

A first inroad of GEAR was on the budgetary planning of individual government departments. The Medium Term Expenditure Framework required three-year plans and budgets from departments. Although this looked like a good approach, it was accompanied by severe cuts and measures to ensure fiscal discipline. This meant that it demanded significant lobbying to



ensure resources were available for land reform, rural development, housing and water budgets, and even so, there was a real decrease in these budgets. Furthermore, when new issues did come up that were not planned for, it was difficult to secure resources for these from the government (Blumenfeld, 1999:44).

GEAR has however not achieved the projected levels of growth. Qualitatively in terms of its own targets, the past years have been singularly unimpressive. In terms of output, investment, savings and employment growth, performance has been noticeably below the GEAR targets. GEAR has instead resulted in a decline in employment. The target of 126 thousand jobs created in the first year of implementation contrasted with an actual 71 thousand jobs lost. Unemployment still continues to rise. In 1999, unemployment was estimated at around 35 per cent of the adult workforce (Spence, 1999:461).

Real private investment growth fell well short of its targets. By the end of 1998, the economy had recorded two consecutive quarters of negative growth and was about to enter an official period of recession. Currency values have been remarkably unstable and have also declined significantly. The strategy of an expansionary infrastructure programme has not been implemented fast enough, thus entrenching and perpetuating the isolation and under-development of rural and urban areas (Blumenfeld, 1999:44).

GEAR despite its limited success or failure, it has, however, had a differential impact on various groups. In other words, not everyone suffered as consequence of the negative impact of GEAR. Some people such as conglomerate white business, the aspirant black professionals have benefited in the short term. They benefited from the tax concessions, the lowering of inflation and privatization programme. They also benefited from the steady exchange control and from the opening up of new export markets and some investment opportunities, especially in Africa (Habib, 2000:258).

Aspirant black bourgeoisie benefited from the privatization of public enterprises, the voluntary asset swaps from the domestic white companies, and from the partnerships established with the foreign investors that has become mandatory by government regulation. They also benefitted from loan concessions and preferential access to credit, specifically reserved for black investors (Habib, 1996:12).



Black professionals also scooped benefits from promotions as companies scrambled for blacks to fulfil affirmative action quotas. This group which benefitted, however, constitutes a minute minority of the black population (Habib, 1996:12). The so-called 'outsiders' who comprise the vast majority of the population who are mainly black are excluded from the economic benefits (Habib, 2000:259).

In the light of his two-nations thesis, Mbeki is seeking as the objective of a process of transformation, the establishment of a society characterised by the equality of the national groups by proper racial balance of representativity throughout all its sectors, classes and status orders. Attaining this objective entails transforming the entire fabric of social life in South Africa, and requires under current circumstances the policies of preferential treatment for black citizens (Hudson, 2000:96).

Mbeki, as a consequence thereof, in contrast with Africanists elsewhere, and through in part the assistance of the National Empowerment Fund (NEF) Act no. 105 of 1998 which commenced on the 29<sup>th</sup> of October 1999, is at the forefront of pushing for promotion of a black business class. The object of the NEF Act is to facilitate the redressing of economic inequality, which resulted from the past unfair discrimination against historically disadvantaged persons by:

- (a) Providing historically disadvantaged persons with the opportunity of, directly or indirectly, acquiring shares or interest in State Owned Commercial Enterprises that are being restructured or in private business enterprises;
- (b) Encouraging and promoting savings, investments and meaningful economic participation by historically disadvantaged persons;
- (c) Promoting and supporting business ventures pioneered and run by historically disadvantaged persons;
- (d) Promoting the universal understanding of equity ownership among historically disadvantaged persons;
- (e) Encouraging the development of a competitive and effective equities market inclusive of all persons in the Republic;
- (f) Contributing to the creation of employment opportunities; and
- (g) Generally employing such schemes, businesses and enterprises as may be necessary to achieve the objects of this Act.



Mbeki believes that a critical part of the fight against racism, to realise the prescription in our Constitution, to create a non-racial society, is the deracialisation of the ownership of productive property in our country. Mbeki strongly maintains that, as part of our continuing struggle to wipe out the legacy of racism, everything must be done to ensure that there emerges a black capitalist class, whose presence within the South African economy and society will be part of the process of the deracialisation of the economy and society. Mbeki justifies his choice of the black capitalist class in particular by saying that our society is a capitalist society and therefore the goal of deracialisation needs to be addressed within the context of the property relations characteristic of a capitalist economy. Mbeki strongly advances that the role of government must be to give aid to those among the black people who require aid in order to become entrepreneurs (GCIS, 1999).

Mbeki seems also more determined to make black economic empowerment work than it was the case during Mandela's presidential epoch. Cyril Ramaphosa was appointed to head a newly appointed Black Economic Empowerment Commission. The commission was formed to develop a case for an accelerated national black empowerment strategy and to submit concrete resolutions on how this could be achieved through the government. In its final report submitted to president Mbeki, the commission is recommending a much more assertive role for the state as opposed to the markets which it claims tend to reinforce an existing distribution of incomes and assets. The commission through the African National Congress's economic transformation committee has also developed a broader definition of black empowerment. The new definition proposes that black empowerment should be 'located within the context of the country's national transformation programme. This new definition is hoped will be adopted and encapsulated in the new proposed legislation called the Black Economic Empowerment Act (Kindra, 2001).

The new proposed Black Economic Empowerment Act is another indication of the urgency with which Mbeki views black economic empowerment. The proposed Act is meant to force companies bidding for government contracts to submit black economic empowerment reports with details of successes in implementing the strategy, procurement to black suppliers and black ownership. The Act also proposes that the money accrued from the sale of state-owned assets be injected into rural development. It recommends the establishment of a state bank to ensure access to affordable financial services and community reinvestment legislation that will outlaw discrimination in lending and make it compulsory for financial institutions to disclose



reasons for not approving loan applications. The Act also proposes the establishment of a national database of black suppliers for the use of the public and private sectors, an increase in rural access to affordable finance through the post office and making state assets available for land reform (Kindra, 2001).

There are also proposals for more active participation by black-owned companies in the mining industry. At present, of the mineral rights in South Africa approximately two-thirds are currently privately owned with only one third belonging to the state. The government is currently thinking of bringing all mineral rights into the state's hand to expedite access to South Africa's plentiful minerals by black-owned companies (Slaughter, 2001).

Mbeki's more determined stance towards black economic empowerment comes against the backdrop of scandals, rumours of corruption by some members central to the advancement of black economic empowerment and subsequent frustrations with the direction that black economic empowerment is taking (CDE, 1999:146).

Empowerment initiatives are not a unique feature confined only to South Africa though. Similar empowerment strategies with the sole aim of attempting to develop indigenous capitalist classes had been central features of countries such as Nigeria and Malaysia. Prior to this current black empowerment strategy, South Africa had also witnessed another one driven by the previous white government for an Afrikaner elite which resulted in the big national companies such as Sanlam, Sasol, and Billiton (Mnyanda, 2001).

Some of the general reasons for supporting the idea of black economic empowerment stem from the belief that capitalist are seen as playing a crucial roles, from proving technological innovation to creating jobs. The proponents of the idea of a creation of a capitalist class often attribute Africa's 'abysmal development record to its failure to create conducive conditions to develop such a class. Rather than viewing indigenous capitalists as potential development partners, it is often argued that post-colonial African leaders saw them as potential competitors for their own power and prestige. Some regarded the capitalist classes as a counter-force to the still undefined dream of an African socialism (Mnyanda, 2001).

In South Africa, however, a deeper crisis surrounding black empowerment, with much broader political and social implications, is emerging. There is a growing perception that what is



portrayed as empowerment for the broader community is nothing much more than the enrichment of a politically aligned tiny minority. This is coupled with the allegations, whether true or not is a moot point, that the members of this South Africa's elite are only interested in the immediate consumption of wealth as opposed to creating one. This is said to likely undermine the class's agenda and will inevitably lead to a loss of political legitimacy. Daily high-profile stories of corporate greed and corruption linked to government's R43billion arms deal are further raising concerns and casting doubts about the way South Africa is pursuing the issue of a capitalist class capable of playing a progressive role – a so-called patriotic bourgeoisie (Mnyanda, 2001).

The black-empowerment is also criticized for having failed to narrow the gap between extremes of poverty and wealth generally because of black-middle and capitalist class bias. It is criticized for being synonymous with share acquisitions and the rise of black on the Johannesburg Stock Exchange without redistributing wealth widely enough (Horton et al, 1998:20). It has instead widened the gap between these classes and the impoverished mass of black people and thereby deepened class distinctions in the black community (Harvey, 2000). Intra-black inequality is now greater than the inequality between whites and blacks. This is resulting in most black working class people (the majority of the black population) being economically worse off than they were a decade ago. Only a small percentage of black people mainly the black middle class in skilled, supervisory and managerial jobs and mainly the tiny big black business elite are benefitting from government's black empowerment policy (Jacobs et al, 2001).

Mbeki also developed the Millennium African Renaissance Plan (MAP). He lobbied Blair, Schroder and Bush when he came to power. He also lobbied the World Economic Forum and Group of eight (G8) in Genoa where his plan was endorsed. Now the New African Initiative (NAI). In this way Mbeki became a global player of note. He tries to enlist international civil society such as trade unions and the former anti-apartheid movement as allies. Yet, curiously, at home, he is at loggerheads with South African civil society such as Cosatu, over his economic plans. Maybe this is another combination of an Africanist (pan-African) vision with market principles. A replica of the domestic pattern?



### 3.3 Assessment

Mandela's nationalist brand of rainbowism fitted well with the Charterist ideal of the South African nation as a union based on cultural diversity and equality. Charterism made white people feel comfortable (Filatova, 1997:50). It also was consistent with the notion of plural society as explained by Heywood.

Mbeki in contrast to Mandela's stress on reconciliation is insisting on the sense of common nationhood resulting from the abolition of disparities in the quality of life among South Africans through black empowerment. White minorities are as a result feeling excluded by the preferential treatment, which includes wealthy past beneficiaries who happen to be black which is awarded on the basis of past discrimination. Mbeki's approach goes against the notion of a plural society.

Consolidation of democracy in South Africa, as elsewhere in the developing world, is, among other things, dependent on the government's ability to address the widespread poverty and economic inequalities within the society. If the mass of the population does not enjoy the fruits of its struggle, there is undoubtedly a real threat to any attempt at democratic consolidation. This view is supported by Przeworski, Linz and Stepan in their charge that democracy is likely to survive and be sustained in countries where income inequality is declining over time. They argue strongly that without favourable socio-economic conditions, democratic institutions are unlikely to endure and consolidate (Linz and Stepan, 1996:14).

This cannot be more true for developing countries, such as South Africa where the socio-economic outcomes of democratisation are as important as the periodic elections in judging the success of the democratic project (Jozana, 1999:121). This explains the reasons why the promises that were made in the 1994 election under the banner of the RDP of meeting the basic needs of people, such as housing, jobs, health care, social welfare and the provision of these services were crucial to sustaining the new democratic government in South Africa.

A serious threat therefore looms in an environment of material immiseration, where the benefits of the government's economic policies as represented in GEAR are the preserve of a relatively small sector of the black population contrary to the majority of the black population, for which it bodes disaster. This socio-economic marginalisation of a large part of the population is



therefore very much a ticking time bomb for a fragile democratic system like South Africa's. The irony of this situation, according to Harvey (2000) is that the main force upon whom the ANC leaned during the anti-apartheid struggle namely the working class whose material conditions continue to worsen daily is now being sacrificed for the black capitalist class.

Rogue politicians might also find the possibility of manipulating deep-rooted racial and ethnic tensions to advance their own narrow interests too much a temptation to resist. All of this certainly does not bode well for the prospects of consolidating democracy in South Africa (Habib, 1996:12).

It is also likely that government's existing policies could provoke sufficient discontent within the society to result in social and political forces organizing and mobilizing against the state to force its restructuring or overthrow it. This might give the ruling leadership a scapegoat to pursue the authoritarian option. The result could be the suspension of Multiparty democracy on the grounds of threats to the political order with the independent civil society associations being crushed through the state's repressive machinery (Habib, 1996:14).

With the shift from people-centered RDP to the elitist top-down approach of GEAR the hope of achieving robust democracy is uncertain. The expectations of the ordinary people who had felt a sense of ownership and empowerment through the RDP are hanging in the balance. This makes the prospects of sustaining democracy in South Africa uncertain. This is because of the perception that the poor might have that the struggle to establish a more just socio-political and socio-economic distribution of power and material resources has been lost (Jozana, 1999:121). Development is one of the precondition for democracy. If GEAR works, democracy may endure.



## Chapter Four: Conclusion

The purpose of this study was to investigate South Africa's state of democracy starting from Mandela's presidential era until the incumbent Mbeki's. This was to be done by assessing the institutions that the two presidents helped set up and their respective styles of governance that characterize these institutions. These styles are derived from Heywood (1997) and refer to pluralism, corporatism and elitism. The assessment was also to be carried throughout looking at the two presidents' policies towards race, inequality reduction and the economy, and the implications of their respective approaches and policies for consolidation of democracy in South Africa.

The presidency has always been a dominant sight of power and influence in this country dating back to the olden days of the white minority rule. Its policies have had a strong bearing on the society at large. The two presidencies in question in this study are no exception. There is no question about the strong steering role that Mandela's presidency in particular played in the process of nation-building. Had it not been for its decision to, in conjunction with other forces in society, assume that role things could have easily turned nasty in this country.

The great impact and bearing that the institutions attached to presidency such as the GNU and Nedlac, PCAS Unit and IIC also had/have, despite certain controversies or failures on their part, in influencing the economic and political landscape in South Africa is a telling example of how central the presidency is to changes taking place in this country. Moreover, RDP and GEAR – two critical government policy strategies to address the problem of persistent poverty and inequality are also strongly associated with the presidency more than any other place. RDP was controlled and driven from Mandela's presidency.

Gear too, first from Mandela's and now Mbeki's. This association of the presidency with these institutions and policy strategies in a way goes to show how good a choice a presidency is in assessing both institutions and socio-economic approach to democracy. Any attempt at looking at the latter to the exclusion of the presidency will render itself superficial. This, however, does not mean that the presidency has a copyright control of the process of effecting or stopping changes in this country. All it means is that the presidency is central in any meaningful assessment be of institutions or the socio-economics to democracy because of its influence and how it is operating at the moment. It cannot, however, be said here that this study, through



focussing on the presidency and the selected institutions could or has exhaustively explored all potential conditions that have a bearing on the consolidation of democracy in South Africa. It was in any case not the intention of this study to conduct such a comprehensive assessment of the state of democracy in South Africa. It only proposed to look at the two presidencies since 1994, the institutions and the styles of governance that characterize these institutions.

In its assessment of the presidency and the selected institutions, this study can now say that Mandela's approach to decision-making was cognizant of Heywood's explanation of a pluralist and corporatist system. It is also credited with doing much to secure loyalty to the new government from groups, which might otherwise have felt excluded and subject to the domination, by the ANC. Informed to a large extent by his efforts of forging national unity through nation-building Mandela's approach to decision-making, was also, by and large, corporatist as explained by Heywood. As a Freedom Charterist, who subscribed to the idea that "South Africa belongs to all who live in it", the steps into corporatism came naturally for Mandela.

Corporatism as represented by GNU and Nedlac fostered greater stability and loyalty. The GNU created a climate characterised by inclusion, compromise and loose co-operation. It succeeded in neutralizing the normally 'combative strategies', which opposition parties adopt to further their electoral interest and lowered the stakes of the founding elections (Schrire, 1996:69-70).

Nedlac, on the other hand, has also played a significant role in transforming the policy-making process by deepening participation in economic and social decision-making processes, as well as by enhancing transparency. It is also credited for promoting the legitimacy of policy by including various parties outside the executive and legislative institutions in decision-making on matters which affect them in particular, and society in general. This is despite its failure to make a major impact on resolving major economic problems, particularly around the government's refusal to negotiate its macro-economic policy framework, which has resulted in disagreement, particularly between COSATU and government. Nedlac has, moreover, been dogged with critical issues and problems relating to representativity and inclusivity. The labour and business organizations represented in Nedlac, for example, are accused of not being representative of all business-people, or all workers. This lends credence to some scholars' view of corporatism



as a threat to democracy as it is accused of only favoring an elite of the so-called insiders against the majority otherwise known as the outsiders.

The central role that the Mbeki's president's office is playing, more particularly through the PCAS unit together with the newly established International Investment Council is now effectively and indirectly replacing the central role that Nedlac played in Mandela's presidential epoch. This is not official but it does not need one to be a rocket scientist to see that. The relation, for instance, of the newly established International Investment Council to consensus policy-making bodies such as the National Economic Development and Labour Council is not clearly defined (Gumede a, 2000:42-43). The result of this scenario is that, corporatism as reflected by Nedlac is now being replaced by elitism of a narrower kind, trusted circle of technocrats.

In terms of decision-making, for Mbeki, it is now apparent that the technical aspects of securing economic growth, implementing social programs to reduce poverty and inequality, and deracialising the society are taking precedence over democratic goals like respecting political diversity or extending representation. This is suggestive of the implied claim that there is a trade-off between material improvement and democratic quality (Friedman, 1999:15).

The kind of democratic centralism portrayed by the Mbeki presidency's reliance on technocrats accountable only to him as their employer as opposed to parliament is inconsistent with the theory of pluralism and more compatible elitism as defined by Heywood. The technocrats that the president relies on are not accountable to elected representatives except the president. Furthermore, the establishment of the PCAS Unit strengthens the centre at the expense of other government levels such as the provinces thus circumscribing general participation (Jacobs, 1999:4-8).

The president's apparent view, as his approach to decision-making seem to suggest, that the prospects for consolidation of democracy in South Africa depend, on improved administration and enhanced (though these remain important) to tackle poverty and the inherited inequality is flawed and parochial. Sense rests on measures against poverty and inherited inequality being pursued in a manner that recognises and acknowledges that 'democratic intangibles' matter to citizens as much as material improvements (Friedman, 1999:15). Under the present circumstances where much concentration is on delivery through the reorganization of the core



executive and administrative centralization tasks the prospects for consolidation of democracy do not seem promising.

The government's ability, among other things, to address the widespread poverty and economic inequalities within the society in South Africa, as elsewhere in the developing world is very critical for consolidation of democracy. If the mass of the population does not enjoy the fruits of its struggle, there is undoubtedly a real threat to any attempt at democratic consolidation. This view is supported by Przeworski, Linz and Stepan in their charge that democracy is likely to survive and be sustained in countries where income inequality is declining over time. They argue strongly that without favourable socio-economic conditions, democratic institutions are unlikely to endure and consolidate (Linz and Stepan, 1996:14).

This explains the reasons why the promises that were made in the 1994 election under the banner of the RDP of meeting the basic needs of people, such as housing, jobs, health care, social welfare and the provision of these services were crucial to sustaining the new democratic government in South Africa.

It is also now evident that Mandela's concern and obsession with the big picture, a salient task for his presidential era, has produced little for economic growth and inequality reduction. RDP failed to make meaningful inroads fast enough to address the ills of the economy and to impact positively on the inequality reduction. Much as Mandela's failure to do more for economic growth and inequality reduction did not pose an immediate threat to the process of consolidation of democracy during his reign due to a myriad of reasons, it somehow helped perpetuate an undesirable legacy of inequality in particular.

Mbeki's approach to the inequality problem and economy may fail to address sufficiently the inequality problem in particular, not in same breath as Mandela though, however, GEAR offers more growth than the RDP. The shift from people-centered RDP to the elitist top-down approach of GEAR has exacerbated the problem by further reshaping the inequalities, especially intra-racial one in the black community though it had some positive spin-offs of its own such as the growth of the black middle class. With the benefits of the government's GEAR policies the preserve of a relatively small sector of the black population contrary to the majority of the black population, the socio-economic marginalisation of a large part of the population is



therefore very much a ticking time bomb for a fragile democratic system like South Africa's. This therefore makes the prospects of sustaining democracy in South Africa uncertain.



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